



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT (NCRTD)
FINANCE SUBCOMMITTEE**

**September 25, 2015
9:00 a.m. - 11:00 a.m.**

**Executive Conference Room
1327 N. Riverside Drive
Española, NM 87532**

AGENDA

CALL TO ORDER: Councilor Pete Sheehy, Chair

Roll Call:

ITEMS FOR DISCUSSION/RECOMMENDATION

- A. Discussion and Review of Demand Response and ADA Paratransit Performance Measures**
Sponsor: Anthony Mortillaro, NCRTD Executive Director and Mike Kelly, Transit and Facilities Operations Director. Attachment.
- B. Discussion and Review of NCRTD Investment Policy Revisions**
Sponsor: Anthony Mortillaro, NCRTD Executive Director and Troy Bingham, Finance Director. Attachment.
- C. Minutes from August 28, 2015**
Draft Minutes.

MATTERS FROM THE SUBCOMMITTEE

ADJOURN

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language Interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing of the meeting, please contact the NCRTD Executive Assistant at 505-629-4702 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats.

Memorandum

To: Finance Sub-Committee
From: Mike Kelly, Transit Operations and Facilities Director
Thru: Anthony J. Mortillaro, Executive Director
Date: September 17, 2015
Re: **Demand Response / ADA Paratransit Performance Measures**

Background: The NCRTD has been tracking and reporting performance measures since the beginning of its operations in 2007. This information has been reported to the NMDOT to support 5311 and 5316 federal grant funding under MAP 21 and also have been reported to the Board on a monthly basis. These measures are used as a management tool to evaluate the strengths and weaknesses of transit operations and to make any necessary adjustments where needed in order to provide efficient service. Some of the adjustments can be met by making modifications within operations while others are dependent of future budgets and other or new funding sources.

One of the current sources available to the District is the Federal 5310 grant funding. This is capital funding for equipment used in providing service to people with disabilities, commonly known as paratransit services or ADA service. These are complimentary services to fixed route transit systems that provide rides, origin to destination, for people with disabilities who are unable to utilize the fixed route system based on their disability. There is an eligibility process and requirement to schedule a ride ahead of time with the District. These are covered in the District's ADA Policy. In the future it will be necessary to track the demand response / ADA performance measures separately from the total operations performance measures that are currently being reported to the Board on a monthly basis.

The performance measures range from:

1. Demand Response Administrative:
 - A. Ridership, All Demand Response Routes
 - B. Ridership, Demand Response Paratransit
 - C. Demand Response Operational Cost
 - D. Cost Per Mile
 - E. Cost Per Trip
2. Paratransit Operations
 - A. Cancellations
 - B. Late Cancellations
 - C. No-Shows
 - D. On-Time Performance
 - E. Trip Length
3. Customer Relations:
 - A. Complaints
 - B. Incidents

Transit agencies have separate dedicated ADA paratransit programs to provide these services. Performance measures are simply tracked as they are part and parcel of the whole ADA paratransit program. The district is unique in that it, has since the beginning and to date, provided paratransit service within its demand response program to the general public. This service has only been provided within a 15 mile radius of the Espanola Park and Ride and only within Rio Arriba County. Also, with the inception of the Transit Plan Update, modifications have been made to fixed routes to provide ADA services (rides) to eligible riders by flexing up to $\frac{3}{4}$ of a mile off of a fixed route. The recently consolidation of the of the Town of Taos' Chile Line with the NCRTD also has a paratransit service. Formerly called the Handi-Van and now has been renamed the Chile Ride. This service operates up to a $\frac{3}{4}$ mile radius of the Chile Line Red route in Taos. The new computer aided dispatch (CAD) software program tracks the demand response trip information and is able to query a variety of reports. This system is currently installed and operating on existing NCRTD transit vehicles and will be installed on the Taos Chile Line and Chile Ride vehicles in the future. The challenge to the District is that the ADA paratransit information is imbedded within the demand response general public service and is currently difficult to extract. Staff will continue to familiarize itself with the abilities of the CAD program, and will continue to work with the Finance Department to better hone the delineation of paratransit expenses with associated data to further refine performance measures.

Recommendations: Staff recommends review and discussion and a recommendation from the Finance Subcommittee to the Board for their consideration for adoption.

Attachments: Draft Demand Response / ADA Paratransit Performance Measures



PARATRANSIT Performance Measures

for

Fiscal Year 2015

June 2015



DEMAND RESPONSE / PARATRANSIT Performance Measures for Fiscal Year 2015

The performance measures that were developed are designed to provide data that can be evaluated in a logical manner. It allows the District to identify areas in which its performance may need to be improved and to understand the characteristics and factors that impact that performance. In addition, to the extent feasible a peer comparison or a benchmark has been included as available or appropriate. This performance data is important since many times the District's costs, efficiencies and productivity is not measured against any benchmark or standard or attempts are made to compare it against systems that bear no similarities in mission, complexity or service area. Therefore, the data presented should provide some context in which to assess the District and its efforts to deliver services based upon its mission, goals and objectives."

The report data collected is grouped into 3 areas: Demand Response Administrative, Paratransit Operations and Customer Relations:

- 1. Demand Response Administrative:**
 - A. Ridership, All Demand Response Routes**
 - B. Ridership, Demand Response Paratransit**
 - C. Demand Response Operational Cost**
 - D. Cost Per Mile**
 - E. Cost Per Trip**
- 2. Paratransit Operations**
 - A. Cancellations**
 - B. Late Cancellations**
 - C. No-Shows**
 - D. On-Time Performance**
 - E. Trip Length**
- 3. Customer Relations:**
 - A. Complaints**
 - B. Incidents**

Currently there are no statistics available for a local/in-state peer at this time. Once available, these will be included in the performance measures for peer comparison. The FTA benchmarking data used originates from the Rural Transit Fact Book 2014. The data is for 2012 in FTA Region 6, rural providers which includes New Mexico, Texas, Oklahoma, Arkansas and Louisiana.

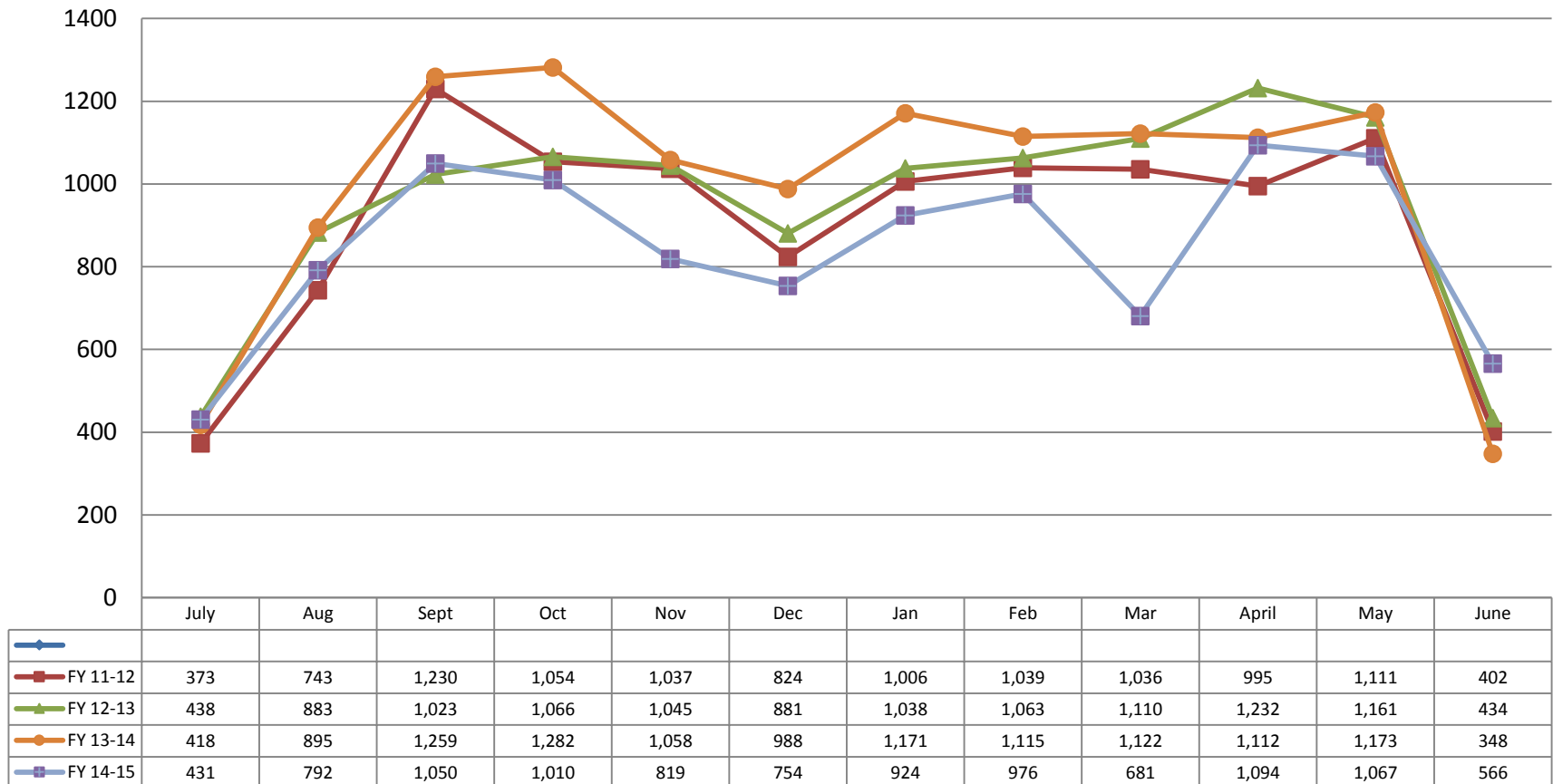


Performance Measure - Administrative:

Ridership Tracking of All Demand Response Routes

This measurement tracks the number of rides (trips) taken each month on all the demand response routes within the district. This graph shows the NCRTD demand response ridership numbers, and compares them each month, identifying any increases or decreases in the number of monthly trips. This also indicates how well the regional district is continuing to address the issue of accessible mobility by routes that are in areas where there is public demand.

Ridership All Demand Repsonse Routes

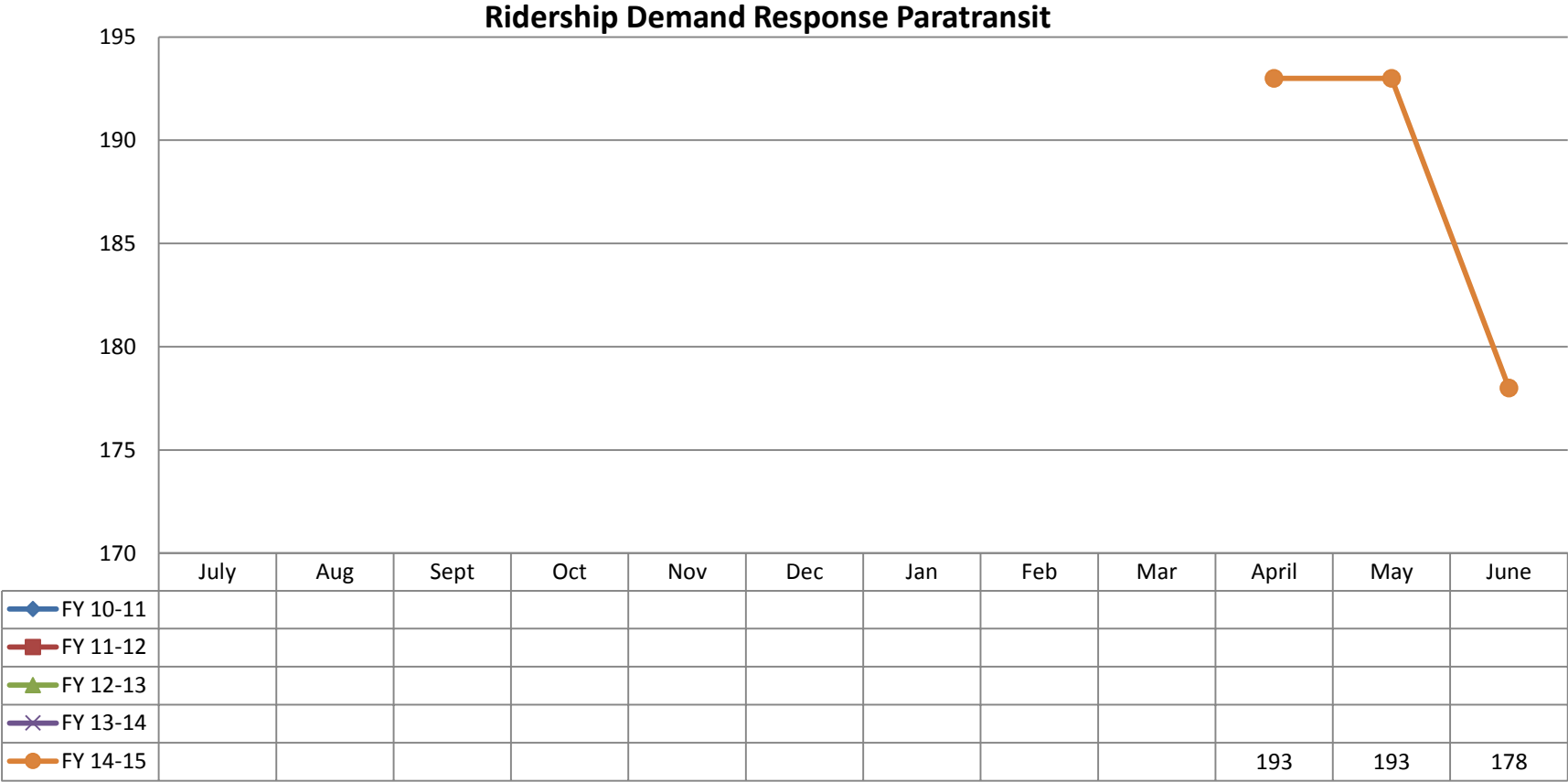




Performance Measure - Administrative:

Ridership Tracking of Demand Response / ADA Paratransit Trips

This ridership data represents the number of ADA paratransit trips that occurred each month within the demand response routes. This also includes any ADA eligible trips that occurred on the fixed/flex routes. Please note that this an incomplete chart at this time will be updated as ADA Paratransit ridership can be mined from the historical data.



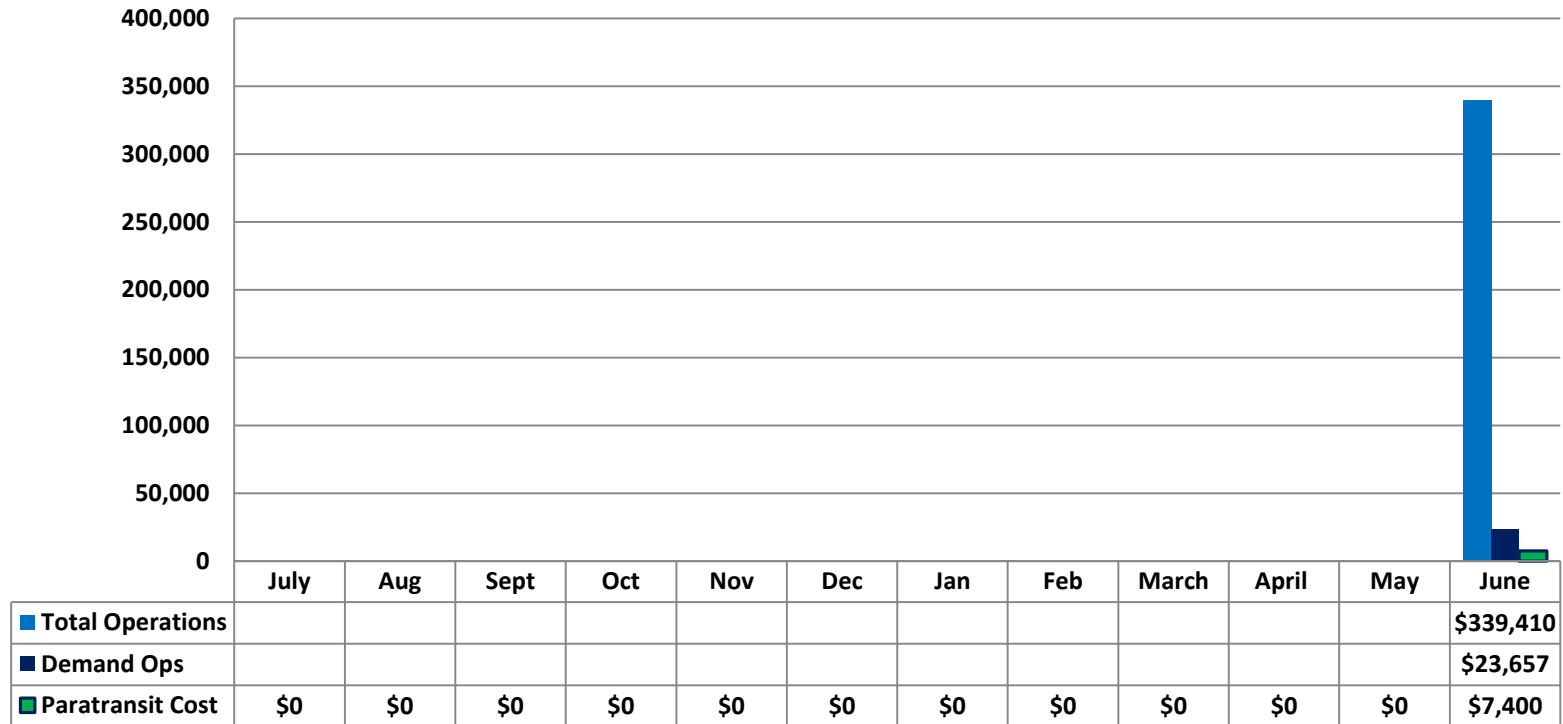


Performance Measure - Administrative:

Monthly Demand Response & ADA Paratransit Operational Costs

The NCRTD's Finance Department provides the administrative and operating expenses in a monthly budget status report. It is important to measure the operational costs to maintain a balanced budget, as well as tracking the administrative and operating margins. This data is used in determining the cost per trip and the cost per mile. The operating budget for demand response is 6.97% of the overall operating budget. Each month's operating expenditures are calculated at 6.97% to acquire a crude demand response share. That share is then calculated to a percentage of the actual ADA trips for the month to determine a cost for paratransit. This number will be used to calculate cost per mile and cost per trip.

Monthly Demand Response & ADA Paratransit Operational Cost FY 14- 15



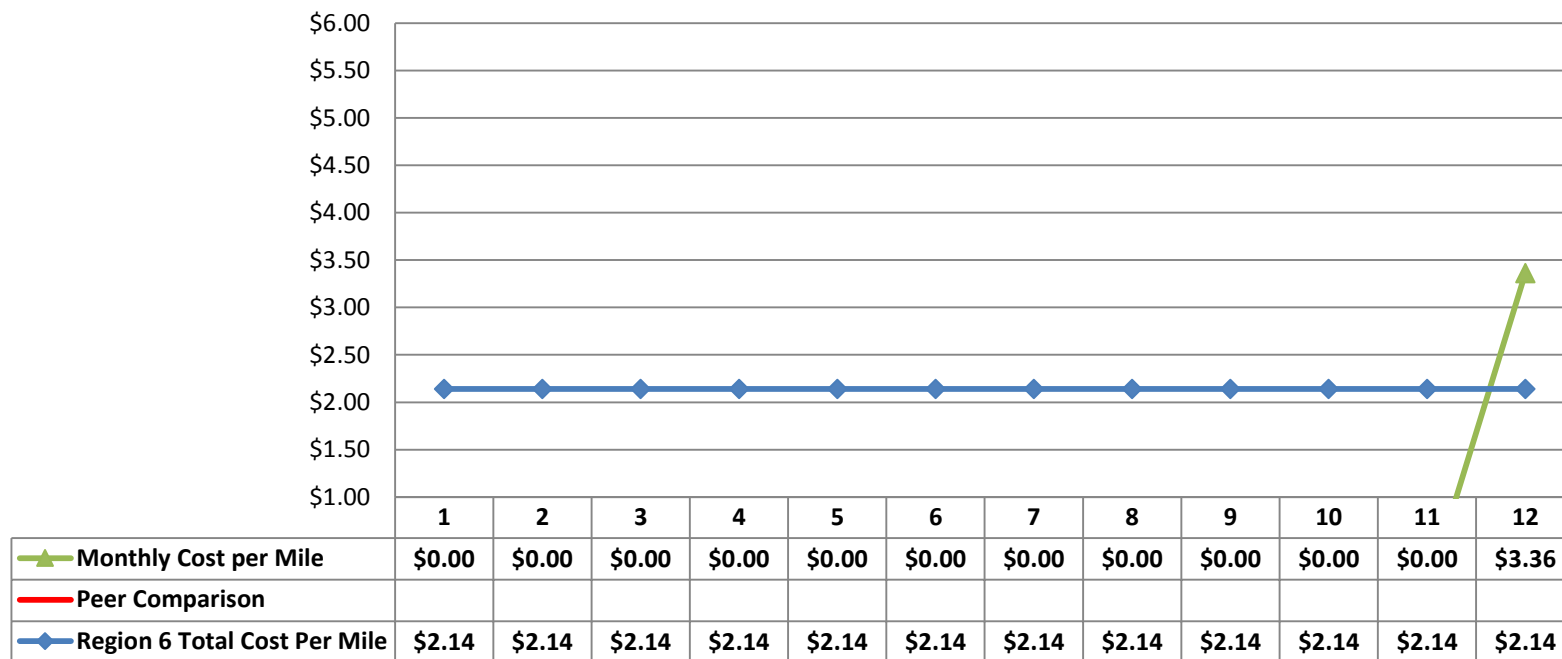


Performance Measure - Administrative:

Paratransit Operational Cost per Vehicle Mile

The Paratransit Cost per vehicle mile is the total operating costs per month in relation to the percentage of ADA vehicle miles per month traveled . The mileage data is logged daily for each route and compiled into a monthly report. As a cost efficiency measure, operating costs per vehicle mile assesses the financial resources needed for the District's demand response paratransit route operations. This measurement is a beneficial tool for the planning and operation's departments. The NM Department of Transportation uses this as one of their performance measures in the state-wide transit guide published annually. Additionally this is used when NMDOT evaluates a transit system for the state-wide awards of 5311 and 5310 funding. Currently there are no statistics available for a local/in-state peer at this time. Once available, these will be included in the performance measures for a peer comparison. Data from the **2014*** Rural Transit Data Fact Book, specifically FTA's District 6 (our district) annual cost per mile is included as a benchmark. ***This Data from 2104 Rural Transit Data Fact Book has been revised for the FY15 year.**

Paratransit Operating Cost Per Vehicle Mile

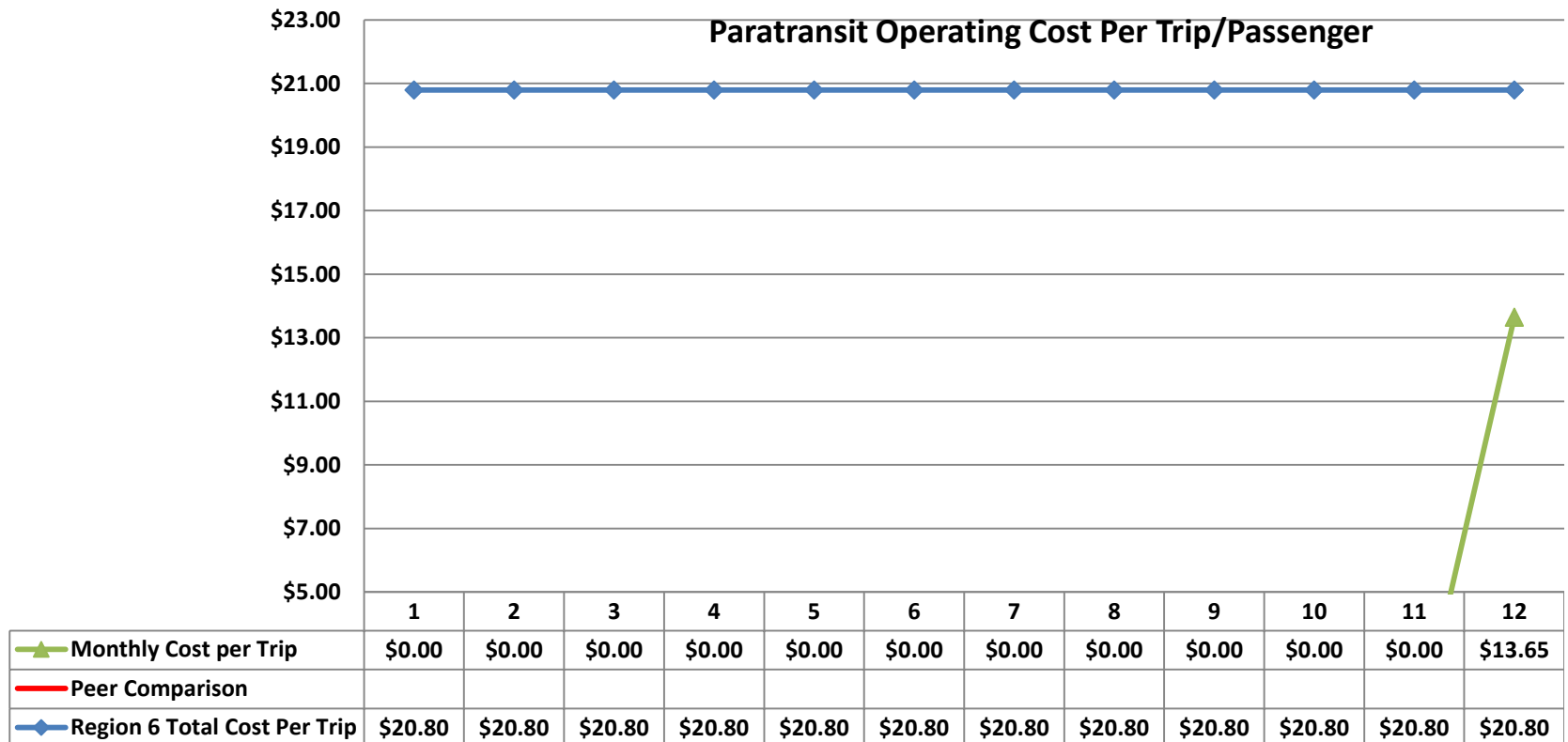




Performance Measure - Administrative:

Paratransit Operating Cost per Trip

The paratransit cost per trip is computed on a monthly basis by dividing the paratransit monthly operating costs from the paratransit cost (chart above), by the total monthly number of trips (ridership). NM Department of Transportation uses this as one of their performance measures to the state-wide transit guide published annually. Additionally this is used when NMDOT evaluates a transit system for the state-wide awards of 5311 and 5310 funding. This is a management tool to track our cost per trip vs. the amount of budget being spent to operate a particular route as well as collectively for all routes. Currently there are no statistics available for a local/in-state peer at this time. Once available, these will be included in the performance measures for peer comparison. Data from the **2014*** Rural Transit Data Fact Book, specifically FTA's District 6 (our district) annual cost per trip is included as a benchmark. . ***This Data from 2104 Rural Transit Data Fact Book has been revised for the FY15 year.**





Performance Measure – Paratransit Operations:

Cancellations, Late Cancellations and No-Shows

Cancellations, Late Cancellations and No-shows by the paratransit rider are tracked as a performance measure. A late cancellation (cancelled within 2 hours of the scheduled trip) is counted as a No-Show. When a rider has accumulated 3 No-Shows in a 30 day period, he/she may be subject to a 30 day suspension of service.

Cancellations = 1,

Late Cancellations = 0,

No-shows = 0

On Time Performance and Trip Length tracked for scheduling and driver performance. On-Time performance is considered on-time from 10 minutes before to 20 minutes after the scheduled pickup time for the scheduled ride. This is reflected in the percentages of total trips that were early, late and on time. The performance goal for this measure is to attain 90% On-time.

Early = 20.83%

On Time = 77.20%

Late = 1.97%

Trip length is measured to determine the average trip length riders are on the bus during their trip as the rides are shared with other rider's pick up and drop offs. This is considered acceptable when ride time is not longer than twice the time it would take to make the ride on a fixed route bus. The average trip time on comparable fixed routes is 15 minutes.

Average trip Length = 16.62 minutes

Performance Measure – Customer Relations:

Complaints per Month

This performance tracks monthly the number and type of complaints received by the Operations Division of the NCRTD. The complaints are received by the Operations and Maintenance Manager. These are categorized by the type of complaint, and evaluated as to the seriousness of the complaint and whether or not a course of action needs to be taken, i.e. driver reprimand, driver retraining, vehicle maintenance, etc. This measure is intended to measure the percentage of complaints versus the total ridership for the month. Driver performance can be graded and we can see if more drivers training needs to be scheduled for particular drivers. Customers also have complained about routes, stops, dispatch, bus cleanliness and other various categories.

NONE

Performance Measure – Customer Relations:

Complaints per Month

FY 14-15 Number of Complaints

	Total	Schedule Issues	Driver Performance	Against other Passengers	Miscellaneous*	Percent VS Ridership
July						
August						
Sept						
Oct						
Nov						
Dec						
January						
Feb						
March						
April						
May						
June						
Total						

*Miscellaneous - i.e. vehicle operation/type, route design, route schedule

Performance Measure – Customer Relations:

Customer Incidents

This performance measure calculates the number of customer incidents reported to the Operations and Maintenance Manager on a monthly basis. Customer incidents are any serious occurrence that may have an outcome that could be potentially hazardous to the driver or other passengers. These situations could be anything such as two passengers arguing over something, or a rider threatening a driver, or a non rider harassing a driver for not being on time. It could also be a passenger falling down on the bus, or a passenger stepping in front of the bus as it pulls away from the curb to stop it to get on the bus. This data is collected by the driver writing an incident report and turning it in to the Operations and Maintenance Manager. This is intended to measure the types of situations that arise and how frequently they arise on the various routes of service provided by the NCRTD. This measurement tells us the frequency of incidents versus the number of monthly riders. We can then see if additional training needs to be implemented for the driver to avoid or control incidents that may occur on his route.

1. Demand – The driver arrived at passenger's driveway and was unable to enter due to narrow cattle guard and low branches on trees. The passenger was complained to the driver of her knee pain by having to walk her driveway to the bus.
2. Demand – The driver picked up a passenger and she became upset when he had to pick up 2 others on his schedule before dropping her off at her destination. The driver explained to her that he had to follow his dispatched schedule.

Customer Incidents

FY 14-15 Number of Customer Incidents

	Total	Driver-Non Rider	Rider-Rider	Driver-Rider	Rider	% of Ridership
July						
Aug						
Sept						
Oct						
Nov						
Dec						
Jan						
Feb						
March						
April						
May						
June	2			2		0.003%
Total	2			2		

Memorandum

To: Finance Committee
From: Troy Bingham, Finance Director
Thru: Anthony J. Mortillaro, Executive Director
Date: September 25, 2015
Re: **Revised District Investment Policy**

Background:

The NCRTD last updated the District's Financial Policies in November 2013 to provide for an alternative investment source of the Local Government Investment Pool (LGIP). Over the last 6 months, the District's Finance Department has presented the quarterly investment reports to both the Finance Committee and Board. As the part of that reporting the District's rate of return has been compared to the return of a 1-year Treasury Note or T-bill as a general goal for the District's passive investment strategy. As of June 30, 2015 the District's rate of return was 0.27% and the 1-year Treasury Note was 0.28%. Staff has reviewed the investment policy and prior Board recommendations for investments and is proposed changes to the current policy and proposing a new investment strategy to maximize the District's rate of return on investments.

Current Investment Strategy:

All funds be diversified according to the following percentage allocations:

- 40% of available funds are in the LANB checking account and the LGIP to insure liquidity/availability within 24-48 hours
 - Savings and Checking account LANB at 12% of budgeted revenue (less Use of Fund Balance)
 - LGIP investment pool has the remaining 28% of available funds.
- 60% of available funds are in CD's that have a higher yield and the same security but less liquidity at a term of 12 months or less

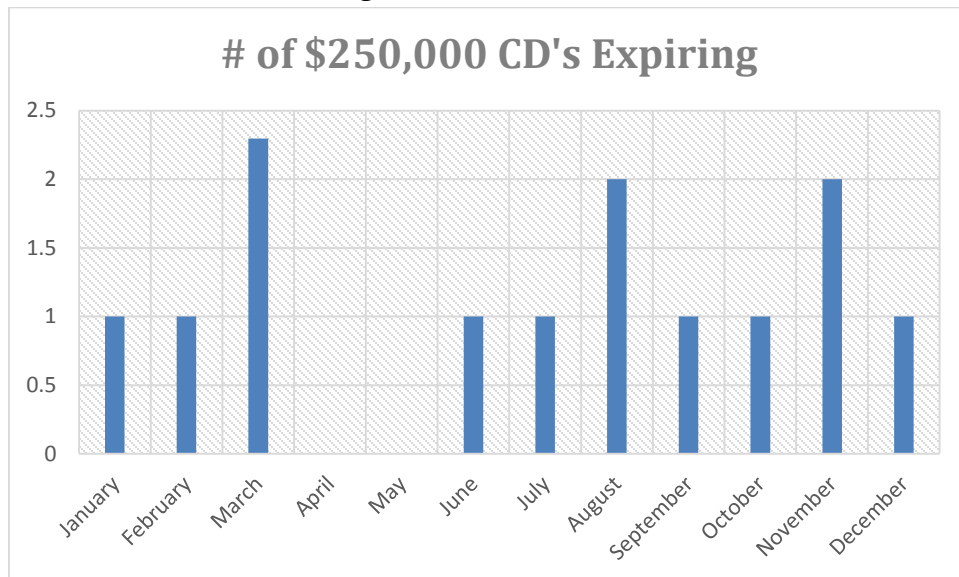
Safety:

- All CD's are at Banks/Credit Unions with in our service area per NMSA 6-10-10(B)
- Investments are insured by the FDIC/NCUA up to \$250,000
- CD's at LANB are collateralized at 102%

Liquidity:

- LANB Checking Account Balance per the General Ledger lowest point was \$208,421.45 in August 2014

- The highest amount was \$2,080,262.71 in February 2015
- 12% of budgeted revenues for FY2016 is \$1,423,198.91
- Average balance in the LANB Checking Account for FY2015 was \$1,184,798.35
- LGIP has \$1,904,280.79 as of June 30, 2015 and is available within 24-48 hours in the LANB Checking Account
- Shortest term CD with Guadalupe Credit Union for 7 months, the remaining CD's are all one year
- At least \$250,000 of one year CD's expire monthly (except April and May)
- August, November, and March additional \$250,000 CDs expiring due to doubled up issues or March's CD is larger than \$250,000 at \$574,199



Yield

- 12% of investments are in LANB Checking Account that earns 0.05%
- 28% of investments are in the LGIP that earns 0.12% on average
 - LGIP Stakeholder Meeting looking for change in interest rate at September 17th
Federal Reserve Meeting will increase rate of return to 0.25% in the LGIP
- 60% of investments are in CD's with the 0.40% as the lowest rate of return and 0.75% for the highest rate of return
- Our total rate of return for the investment portfolio as of June 30, 2015 was 0.27%
- We benchmark to the one year treasury note that was earning 0.28% as of June 30, 2015
- Interest Revenue for FY2015 was \$24,021.94 which is almost the starting salary of driver which is \$28,745.60

Recommendation:

It is recommended that the Finance Committee discuss and review the information about the current investment policy and current strategy. The staff further recommends the following changes for discuss and review for final recommendations to the Board on October 9, 2015:

- Approve removal of investment section from general Financial Policy #1 and create a standalone policy #6 Investment Policy for future updates and changes
- Approve redline changes to investment policy based on discussion
- Current monthly liquidity is approximately \$3,339,079 (average Checking + LGIP + Expiring CD's) and should be lowered to maximize the rate of return
 - Develop a recommendation to reduce monthly liquidity to \$2,500,000 initially and revisit in December 2015 as a Finance Committee
 - 12% Checking Account balance is sufficient
 - LGIP balance should be reduced to 10% from 28% of total investment
 - If LGIP not returning 0.25% by December 2015 revisit as Finance Committee
 - Increase total investment in CD's from 60% to a range of 75% - 80%
 - Have \$245,000 - \$250,000 CD's expiring every month including April and May
 - Layer additional \$245,000 - \$250,000 increments of CD's with the additional investment in CD's for every month
- Explore selection of a Broker/Dealer authority in current investment policy and discuss at December 2015 Finance Committee meeting staff findings

Attachment:

- North Central Regional Transit District-Financial Policies Redlined to remove the Investment Policy section
- North Central Regional Transit District- Investment Policy Redlined as a stand-alone policy
- North Central Regional Transit District Certificate of Deposit Report as of 6/30/2015
- Graph – LANB Checking Account Balance per the General Ledger
- Current Investment Policy Adherence as of 8/31/2015

NORTH CENTRAL REGIONAL TRANSIT DISTRICT	
SUBJECT: Financial Policies	NUMBER: ~~Financial Fin~~ - 01
EFFECTIVE DATE: ~~November 8, 2013~~ <u>October 9, 2015</u>	Adopted and amended by Board Resolution No.2011-10 on November 4, 201, 2013-04 on March 1, 2013, ~~and 2013-29~~ on November 8, 2013 ~~and 2015-XX~~ <u>on October 9, 2015.</u>
AMENDS/SUPERSEDES: Policies adopted by Board on July 14, 2011, November 4, 2011, ~~and~~ March 1, 2013, <u>November 8, 2013</u>	APPROVED: ANTHONY J. MORTILLARO, EXECUTIVE DIRECTOR

Purpose

The Financial Policies described herein are designed to provide a comprehensive framework for the management of financial resources for the North Central Regional Transit District (NCRTD). They provide guidelines for decision making by the NCRTD Board and management on how financial resources shall be utilized to fulfill the mission of the transit system, meet obligations and protect the public interest.

Objectives:

- Cost effective allocation and use of NCRTD financial resources in achieving the Districts mission.
- Compliance with applicable Federal and State laws, regulations and guidelines governing transit funding.
- Use of sound business and accounting practices in managing NCRTD financial affairs.
- Consistent financial practices, operational efficiencies and best practices.

1. Budgetary Policies

The adopted budget represents the ongoing commitment of the management and staff to operate and maintain the NCRTD in a fiscally sound manner according to the guidelines, policies and direction set forth herein. The Budget spans a fiscal year (beginning July 1 and ending June 30) and contains operating and non-operating revenues and expenses, grants, capital expenditures and reserves for the District. The budget is an appropriation document that gives the District the authority to spend funds for operating expenses, other expenditures such as contracts and capital and reserves.

Each year, the District staff will develop a budget plan that will lead to the Board's review and adoption of the subsequent year's budget. The timing of this process will be consistent with the established strategy and priorities at the District and with statutory requirements.

The District will also prepare a ten-year Long Term Financial plan for the purpose of identifying future financial challenges. It will be updated annually concurrent with the development of the annual budget.

A budget calendar for the fiscal year is to be established to make clear deliverables and deadlines.

Each year the District will establish a budget by:

- Providing a comprehensive review of the Districts sources and uses of funds for operating and capital expenditures.
- Tailoring the budget process into an effective management tool for setting financial priorities and meeting strategic objectives.
- Ensuring that the budget manages financial resources in a manner that:
 - Is prudent and sustainable
 - Meets financial requirements of medium and long-term capital needs
- Producing budget information that is:
 - Clear, comprehensible and transparent to employees and constituencies
 - Accurate, timely, and easy to access
- Monitoring and analyzing revenues and expenditures throughout the fiscal year for compliance and accountability.
- A quarterly cash and investment report and monthly one-year cash flow forecast report will be prepared.
- Current appropriations for all funds are limited to the sum available, unrestricted cash balances and revenues estimated to be received in the current budget year.
- All District divisions will operate within the adopted budget. From time to time, the District will consider spending requests for new or expanded programs during the course of the fiscal year and, to the extent possible, such increases to current operations will be funded by reoccurring current revenues unless the request is for a one time activity that does not require an ongoing funding allocation. On

occasion, there may be a need for Board action to draw funds from the Districts un-appropriated balance in order to meet unforeseen financial requirements.

- Capital assets owned by the District shall be maintained on a regular schedule. The District will recognize the impact of wear and tear of existing capital assets in the operating budget. Maintenance costs will be identified and incorporated into the annual operating budget as necessary. These costs include items such as renovations, maintenance and service contracts.
- District funds will be reconciled at the close of the fiscal year to determine the available cash balance at year end.
- Reports to the Board shall include Fiscal Impact discussions as to how they may affect the budget plus the estimated cost and benefit of the program or service in the current and future years.

Budgetary Control:

Budget control is maintained at the departmental/divisional level. The Executive Director has the authority to approve appropriation transfers between programs, divisions or departments. In no case may total expenditures adopted for the fiscal year exceed that which is appropriated by the District Board without budget amendment.

2. Operating Program:

The District utilizes a general operating fund, which will be used to account for all financial transactions required for the current operation of the public transportation system. The two primary components of this fund are:

A. Operating Income (Income Sources)

- Operating income includes revenues derived from the Regional Transit Gross Receipts Transit tax (RT GRT), operating and capital assistance (federal and state funds), passenger fares, contractual reimbursements or contributions, interest income, and other miscellaneous sources of revenue.
 - For all federal transit grants awarded from New Mexico Department of Transportation (NMDOT), adherence to financial rules, regulations, and reporting will be complied with by NCRTD as per the New Mexico State Management Plan for the Administration of Federal Transit Grants, the annual Federal Transit Administration (FTA) Certifications and Assurances, and any subgrantee federal funding contract/memorandum of agreement with NMDOT.
- The District will continuously seek new revenues and will, to the extent consistent with its public transit objectives, pursue a diverse revenue base in an effort to

maintain a stable revenue stream. Seeking revenue diversity will help shelter the District from short-term fluctuations in any one revenue source.

- Revenues from the RT GRT are tracked in a line item dedicated to that purpose. According to the ballot initiative that created the RT GRT, the funds are to be used to expand regional public transit in the four-county area. The District interprets this to mean that RT GRT funds should be used to implement approved service plans per Board adopted resolutions. Approved service plans may include, but are not limited to, establishing entirely new regional routes; increasing the frequency of service on existing routes; purchasing more and larger vehicles so more riders may avail themselves of public transit; acquiring fixed capital assets and technology to solely be utilized on those approved regional routes, converting pilot projects to regular services; and coordinating with other service providers, such as Santa Fe Trails, Taos Chili Line, Atomic City Transit, the Rail Runner, and Park & Ride to improve services and strive to provide a seamless transit experience to those in the District's service area.

The following definition has been adopted by the Board and will be utilized to ascertain whether a proposed regional route is eligible to be funded by RT GRT:

1. It connects to a service that leaves the district such as the Rail Runner or Park & Ride; or
2. It crosses a jurisdictional line between Members;
3. It connects two or more Members;
4. It is solely within a single Member's local area but directly connects both in time and location with a service or route that makes possible travel outside the local area to another Member's area;
5. It connects two distinct and separate communities within one Member's area such as Questa and Red River in Taos County or Los Alamos and White Rock in Los Alamos County;
6. The Board of Directors will annually review all service plans within the region in order to determine regional routes by the qualification stated above. The board will have the ability to add or eliminate routes based on criteria for efficiency within the District.

The following funding allocation method will be used to determine the amount of RT GRT that will be allocated toward Board approved services on an annual basis, as provided below.

Entity	Percentage of Total Fiscal Year Projected NCRTD Transit GRT Revenue
City of Santa Fe	14%
Los Alamos County	20%

Rail Runner	26%
NCRTD (Santa Fe County, Rio Arriba County, and Taos County)	40%

In the event that RT GRT revenue(s) do not materialize as projected in the adopted fiscal year budget, it is the Board's stated desire that funding for services will be retained to the extent feasible. In order to achieve this priority the Board will consider the adjustment of the percentage allocations described in the above allocation methodology excluding the Rail Runner whose funding is prescribed through an Intergovernmental Agreement dated February 2009. The modification in the revenue percentage allocations will be proportionate to the reduction in the RT GRT revenue.

It is also the Board's priority that as a last resort, transit services provided solely and directly by the NCRTD should not be reduced. In the event that such a reduction is likely, the Executive Director may recommend to the Board for its consideration the use of operating reserves to the extent necessary and without violating the Reserve Policy requirements herein.

RT GRT revenue that is deemed to be reoccurring revenue and not allocated for regional routes is placed in the operating reserve balance and reserve for service enhancements and as such maybe be available for allocation in the following year for expanded service of regional routes as recommended by the Executive Director and adopted by the Board on the bases of the methodology for the allocation of RT GRT as described above. Prior to commitment of any remaining RT GRT reserve operating balance in the ensuing fiscal year to expanded regional service routes, these routes must be included in the requesting entities annual service plan and adopted by the NCRTD Board as well. In no event will these funds be allocated for new or expanded service regional routes if it will result in the diminishment of the reserve operating balance requirements as described within these policies or if it will impact the Districts ability to meet its capital equipment and infrastructure requirements.

The District is responsible for seeing that RT GRT funds are spent appropriately. For those entities operating their own transit services an invoice shall be submitted quarterly to the District requesting reimbursement of funds spent in accordance with RT GRT funded service plans and adopted cost allocation methodology. Invoices shall contain sufficient line-item detail to support the appropriateness of the expenditure and concurrence with the intended use of the funds. Upon receipt and review of the invoice, the District will reimburse the entity, provided sufficient RT GRT funds have been received.

- B. In reference to Tribal Transit Funds if awarded by the Federal Transit Administration (FTA) to a Tribal Entity, the Tribal Entity maintains the authority to 1) utilize all Tribal Transit Funds received for Tribal Transit / Transportation Initiatives; 2) allocate through

an agreement a portion of Tribal Transit Funds to the NCRTD; 3) allocate through an agreement all Tribal Transit Funds received to the NCRTD.

- 1) Tribe utilizes all FTA Tribal Transit Funds for Tribal Transit / Transportation Initiatives.
 - a. No Agreement with the NCRTD.
- 2) Tribe allocates through an agreement a portion of FTA Tribal Transit Funds to the NCRTD. The process for managing these funds includes the following steps:
 - a. Tribe determines a need for additional services requiring a portion of Tribal Transit funds be allocated through an agreement to the NCRTD to provide contracted transit services.
 - b. The NCRTD will assess the additional services requested by the Tribe and provide the Tribe with a Scope of Work, Budget & Budget Narrative.
 - c. The Tribe will review and make any necessary changes to documents and return to NCRTD for review and re-submittal.
 - d. Upon agreement of transit services to be contracted to the NCRTD, the Tribe and NCRTD will sign a Professional Services Contract detailing agreement between Tribe as the recipient of FTA Tribal Transit Funds and the NCRTD as the sub contractor to include: Scope of Work, Budget, and Budget Narrative.
 - e. Contract, Scope of Work, Budget and other Program Information will be entered into the Federal Transit Authority's (FTA) TEAM web system by the Tribe or authorized NCRTD personnel if stated in agreement.
 - f. Reports: Quarterly Financial, Monthly Progress, Monthly Ridership Reports are submitted to the FTA / FederalReporting.gov / TEAM web portal and will be completed by Tribe or authorized NCRTD personnel. Copies of all reports will be sent to Tribe for record keeping if the NCRTD personnel perform the reporting requirements.
 - g. Any changes or modifications to the Scope of Work, Budget, and Budget Narrative must be approved and documented by the Tribe prior to NCRTD changing services or requesting reimbursement or payment for services provided under agreement.
 - h. The NCRTD will advance funds to cover operating costs of contracted transit services.
 - i. NCRTD will submit a detailed "Invoice" of work, services performed and provided to the Tribe per Scope of Work and Agreement for approval and processing.
 - j. Tribe will approve "Invoice" of work and services performed and provided by the NCRTD and request a drawdown from the FTA.
 - k. Upon receipt of funds from the FTA, the Tribe within 7 days will process payment to the NCRTD.

- l. The Tribe and the NCRTD will meet periodically to evaluate the effectiveness of the services being provided, available budget, and discuss any necessary changes.
- 3) Tribe allocates through an agreement all FTA Tribal Transit Funds received to the NCRTD for the provision of contract transit services. The process for managing these funds includes the following steps:
- a. Tribe determines a need to allocate through an agreement all FTA Tribal Transit funds to the NCRTD for the provision of FTA funded contractual transit services to be continued.
 - b. The NCRTD and the Tribe will assess current FTA funded services being provided to the Tribe and provide the Tribe with a Scope of Work, Budget and Budget Narrative of the FTA funded current services and how these funds will be utilized to continue transit services.
 - c. The Tribe will review and make any necessary changes to documents and return them to the NCRTD for review and re-submittal.
 - d. Upon agreement of transit services to be contracted to the NCRTD, the Tribe and NCRTD will sign a Professional Services Contract detailing agreement between Tribe as the recipient of FTA Tribal Transit Funds and the NCRTD as the sub contractor to include: Scope of Work, Budget, and Budget Narrative.
 - e. Contract, Scope of Work, Budget and other Program Information will be entered into the Federal Transit Administration's (FTA) TEAM web system by the Tribe or authorized NCRTD personnel if stated in agreement.
 - f. Reports: Quarterly Financial, Monthly Progress, Monthly Ridership Reports are submitted to the FTA / FederalReporting.gov / TEAM web portal and will be completed by Tribe or authorized NCRTD personnel. Copies of all reports will be sent to Tribe for record keeping if the NCRTD personnel perform the reporting requirements.
 - g. Any changes or modifications to the Scope of Work, Budget, and Budget Narrative must be approved and documented by the Tribe prior to the NCRTD changing services or requesting reimbursement or payment for services provided under agreement.
 - h. The NCRTD will advance funds to cover operating costs of contracted transit services.
 - i. NCRTD will submit a detailed "Invoice" of work, services performed and provided to the Tribe per Scope of Work and Agreement for approval and processing.
 - j. Tribe will approve "Invoice" of work and services performed and provided by the NCRTD and request a drawdown from the FTA.
 - k. Upon receipt of funds from the FTA, the Tribe within 7 days will process payment to the NCRTD.

1. The Tribe and the NCRTD will meet periodically to evaluate the effectiveness of the services being provided, available budget, and discuss any necessary changes.

Application Process:

- 1) When requested by Tribe, the NCRTD will assist with the Grant Application to include a set percentage (5%) for Administrative costs. If the Grant is awarded the Tribal Transit Funds Policy will be utilized to manage these funds.
- 2) The NCRTD, if requested and there is a signed agreement by all the Tribe's, will submit a Joint Application on behalf of the Tribe's in agreement. Prior to submittal of Joint Application, the Tribes will review and approve the Application, Scope of Work, Budget, and Budget Narrative being submitted on their behalf. If the Grant is awarded the Tribal Transit Funds Policy will be utilized to manage these funds.
- 3) The Tribe's on their own behalf may apply for Tribal Transit Funds. If the Grant is awarded the Tribal Transit Funds Policy will be utilized to manage these funds.

C. Operating Expenses

Operating expenses are defined as the day-to-day costs incurred for public transit delivery, administrative overhead, and other common and normal expenses.

D. Operating Balance (difference between operating income and operating expenses)

The operating balance is utilized to fund the capital program and reserve requirements.

E. Administrative Overhead Costs

Direct and Indirect costs that are incurred for common or joint purposes in support of transit service or capital programs. Costs are allocated to programs based on allocation methods which comply with Federal and State guidelines.

3. Reserve Policy

This Financial Reserve Policy contains practices that govern the management of the District's financial reserves in order to:

- Maintain access to capital markets and other sources of capital funding at the most efficient cost of funds for the District;

- Manage financial risks prudently by maintaining required and additional financial reserves to meet the Districts financial needs;
- Meet New Mexico State Department of Finance and Administration (DFA) requirements for minimum reserve balance requirements and any Board requirements;
- Provide the District with the ability to withstand national, regional and local major economic disruptions, unanticipated expenditure demands and meet the need for other non-recurring expenses except for as provided within the reserve policies.
- Meet or exceed all debt coverage requirements, if any; and
- Establish prudent levels of liquidity.

The District will maintain at all times one month of operating revenue as a cash reserve to meet DFA requirements.

The District will seek to maintain at all times an amount equaling 25% of its operating revenue as an unrestricted cash reserve which is inclusive of the DFA requirement distributed as follows:

- A. Reserve for Operations (budget stabilization): It is the goal of the Board of Directors to annually direct 15% of the unrestricted reserves into this fund to meet unexpected decreases of more than 5% in the levels of total revenues and subsidies, as well as unexpected increases of more than 5% in total operating costs such as unanticipated and unbudgeted increases in fuel costs or other operating materials that cannot be rebalanced within existing budgeted resources in any given year in order to protect against reducing service levels when these fluctuations occur. This reserve will be maintained at a maximum of twenty percent (25%) of the annual operating revenues.
- B. Reserve for Capital and Capital Replacement: It is the goal of the Board of Directors to annually direct 5% of the unrestricted reserves into this fund. In addition revenues from the sale of surplus property or fixed assets will be directed towards this reserve fund. This reserve fund will provide the District with funds to meet matching requirements or non-matched purchases for fleet replacement, new fleet and replacement or acquisition of fixed assets. This reserve will be maintained at a maximum of fifteen percent (15%) of the annual operating revenues.
- C. Reserve for Service Enhancements: This fund will be developed to build up fiscal resources in anticipation of future service enhancements. The intent is to build up a reserve of operating funds before potential service enhancements would be enacted in order to smooth the impact on the operating budget of a higher level of service and operating costs. When the Board has authorized existing service enhancements or new service enhancements then the Resolution approving such may also include the authorization to use this reserve fund for that purpose as

required by section “E” below. The targeted balance of this reserve fund should be sufficient to cover operating expense of the proposed service enhancement for a three-year period.

- D. Reserve for Debt Service: When the District issues debt this reserve will be funded through bond proceeds equal to the highest year debt service obligation of the District. These funds are held by the trustee for payment of related debt service.
- E. Approval for Use of Reserve Fund: Each proposed use of the reserve fund will be subject to Board approval. For each use of the aforementioned reserve funds, the Board will approve a resolution which will describe the need to use the reserve fund, and the uses for which reserve funds will be expended. By Resolution of the Board the Board upon recommendation of the Executive Director may consider the modification of the allocations herein in order to avoid any service reductions.

4. Capital Program

The NCRTD Capital Investment Plan (CIP) shall describe capital expenditures to be incurred to meet capital needs arising from long-term plans, asset maintenance or other capital needs. It sets forth each project in which the NCRTD will be involved and specifies the resources estimated to be available or required to finance the projected expenditures. The Executive Director shall submit to the NCRTD Board a proposed Capital Investment Plan prior to or in conjunction with the annual proposed budget. The Board shall approve the CIP no later than June 1 of each year. In the event that this date falls on a weekend, the preceding Friday shall prevail.

- A. The Executive Director reviews all District capital projects to be recommended for inclusion in the CIP subject to the oversight and approval of the Board. In this capacity the Executive Director or a designee will:
 - a. Affirm the linkage between proposed Capital Projects and the Districts strategic goals and objectives;
 - b. Asses the linkage between the capital and operating budgets to ensure appropriate allocation of resources;
 - c. Reaffirm the validity of a proposed CIP for annual approval by the District Board;
 - d. Provide discipline and enforcement to the approved CIP;
 - e. Monitor the progress of Capital Projects. Major changes in project scope or direction shall be presented to the Board for approval;
 - f. Review the qualitative and quantitative (including financial analysis) evaluation of Capital Projects to determine the priority of projects;
 - g. Review, assess and approve or deny the placement of proposed Capital Projects on the CIP;
 - h. Review CIP policies and procedures periodically and implementing changes as necessary;

- i. Provide a mechanism for financial and resource planning for the District;
 - j. Authorize total project cost and fiscal year cost allocation changes.
- B. The CIP is a planning document only. Any appropriations for specific project must be approved by the Board during the annual budget process.
- C. The Districts CIP either creates a new asset or significantly extends the life of an existing asset.
- D. Large Capital equipment purchases may be included in the CIP.
- E. The Districts Capital Program will be used to account for the planning/design, acquisition, construction and reconstruction/rehabilitation of major capital facilities and equipment. It may include Federal and State grants as well as local funds to be used for capital acquisition and construction with and without benefit of grant funding including transfers from the Annual Operating Reserve Balance, project-related reimbursements, debt financing or other sources of capital funding.
- F. Capital Expenditures are defined as expenditures incurred to meet capital needs arising from the District CIP, asset capital maintenance or other capital needs.
- G. Capital Expenditure
 - a) Items/acquisitions that have a useful life in excess of one year and an acquisition cost of greater than or equal to \$5,000.
 - b) Direct and eligible indirect costs, which are related and add value to a capital project, shall also be defined as capital expenditures.
- H. Capital Performance Policy Objectives
 - a. The NCRTD will seek to obtain maximum Federal and State financing by pursuing all appropriate funding available for public transportation systems.
 - b. A portion of the annual CIP will be allocated to the proper maintenance of the Districts capital assets including regular replacement of the fleet and equipment and the rehabilitation or replacement of facilities.
- I. Capital Investment Plan Funding

Funding of the CIP will endeavor to fund capital needs from a combination of sources including:

 - Pay-as-you-Go (cash funded, PAYGO)

- Grants from Federal/State/Other Sources
- Debt Financing and special loans

The CIP funding strategy will emphasize the use of PAYGO as a means to meet transit funding requirements with debt used as a secondary source. The level of PAYGO funding will be dependent on a number of factors including availability of funds from the RT GRT and other sources, the appropriate levels of retained fund balances, economic and other factors.

5. **Debt Policy**

The purpose of the Debt Policy is to establish guidelines for the issuance and management of the Districts debt. The District has the ability to issue debt under its statutory authority. This Debt Policy confirms the commitment of the Board, management, staff, advisors and other decision makers to adhere to sound financial management practices, including full and timely repayment of all borrowings, and achieving an appropriate level of capital within prudent risk parameters. The following objectives of the Debt Policy include the following:

- Obtain and maintain a high credit rating;
- Provide for an efficient overall cost of borrowing for the District;
- Provide specific guidelines with respect to the overall management of debt if incurred;
- Set forth a process for selecting various consultants who will assist the District in the issuance and management of the Districts debt;
- Support for the District's strategic plan objectives;

This Debt Policy shall govern the issuance and management of all debt and lease financings (excludes small item leasing such as copiers, etc...) funded from the capital markets, and shall include all obligations including investment of bond proceeds.

While adherence to this Debt Policy is required in applicable circumstances, the District recognized that changes in capital markets and unforeseen circumstances may produce situations that are not covered by the Debt Policy or require modifications or exceptions to achieve Debt Policy goals. In these cases, specific authorization from the Board is necessary to provide management appropriate flexibility. However, long term debt will be used on an as needed basis to fund the Districts capital investment needs.

The Debt Policy requires that each debt be specifically authorized by the District Board.

Debt Financing:

- i. Principal maturity for debt will be linked to asset life and will not exceed thirty (30) years.
- ii. Variable rate or other short term maturing debt maybe issued for capital purposes in anticipation of receipt of approved Federal and/or State grants, with the goal of repaying a portion or all of the debt issued upon receipt of funds.
- iii. Issuance of debt must be linked to:
 - 1. Adequate encumbrance capacity to let contracts for the entire capital program in the most effective sequence.
 - 2. Cash flow requirements.
 - 3. Fund balance to guard against anticipated/unanticipated risks
- iv. RT GRT will be used for the payment of annual debt service costs.
- v. Debt will not be used for annual operating costs.

Lease Financing:

Lease obligations are a routine and appropriate means of financing capital equipment. These types of obligations maybe considered for equipment and assets that are not financed as a cost item under normal operating expenditures. The useful life of the equipment, the terms and conditions of the lease, and the direct impact on debt capacity and budget flexibility will be evaluated prior to the implementation of a lease program. Efforts will be made to fund capital equipment with a pay-as-you-go financing where feasible. Cash flow sufficiency, capital program requirements, lease program structures and cast and market factors will be considered in conjunction with a pay-as-you-go strategy in lieu of financing. Short-term equipment leases that do not access the capital markets are not covered by this policy.

Debt Service Coverage Ratios:

Debt Service coverage ratios establish a guideline for levels of annual operating costs relative to current and future debt service costs. This performance objective for Net debt service coverage is that the Operating Balance shall be greater than 1.25 times the annual debt service cost; however, the actual terms and conditions specific to each bond issue are controlled by the bond documents.

The net debt service coverage ratio is calculated as follows:

- i. Operating income less operating expense equals the operating balance
- ii. Operating balance divided by the annual debt service costs equals net debt service coverage ratio

The performance objective for Gross debt service coverage ratio (i.e. annual regional transit gross receipts tax/annual cumulative debt service cost) shall be maintained at a minimum of 3.0 times.

The maintenance of a debt service coverage ratio together with other performance measures provides multiple measures for the financial soundness of the NCRTD.

Refunding Bonds:

A present value analysis must be prepared that identifies the economic effects of any refunding to be proposed to the Board. It is acknowledged that some refunding may be executed for other than economic purposes, such as to restructure debt, change the type of debt instruments being used, or to retire a bond issue and indenture in order to achieve more desirable covenants. Approval by the Board is required for any refunding.

Method of Bond Sale:

The District will generally utilize a competitive sale process when complex bond structuring and marketing requirements are not an issue and the perceived pricing differential between competitive and negotiated sale is negligible. There are three potential methods of sale: competitive, negotiated, and private placement. Each type of bond sale has the potential to provide the lowest cost given the right conditions. The conditions under which each type of bond sale is best used are provided below. All or some of the conditions discussed will affect the method of sale.

A. Competitive Sale

1. Bond prices are stable and/or demand is strong.
2. Issuer has a strong credit rating.
3. Issuer is well known to investors.
4. There are no complex explanations required during marketing, regarding: issuer's projects, media coverage, political structure, political support, funding, or credit quality.
5. The bond type and structural features are conventional.
6. Bond insurance is included or pre-qualified (available).
7. Manageable transaction size.
8. Market timing and interest rate sensitivity are not critical to the pricing.

B. Negotiated Sale

1. Bond prices are volatile and/or demand is weak or supply of competing bonds is high.

2. Market timing is important, such as for refunding.
3. Coordination of multiple components of the financing is required.
4. Issuer has lower or weakening credit rating.
5. Issuer is not well known to investors.
6. Sale and marketing of the bonds will require complex explanations about the issuer's projects, media coverage, political structure, political support, funding, or credit quality.
7. The bond type and/or structural features are non-standard, such as for a forward bond sale, issuance of variable rate bonds or where there is use of derivative products.
8. Bond insurance is not available or not offered.
9. Early structuring and market participation by underwriters desired.
10. Pre-qualified underwriter's pool.
11. Large transaction size.
12. Expected high retail demand.

C. Private Placement

A Private Placement is a sale that is structured specifically for one purchaser such as a bank. The District reserves the right to privately place its securities if the need arises. Furthermore, any member of the active underwriting pool who presents the District with a cost savings financing plan, will be awarded to manage the financing/restructuring transaction.

Bond Consultants:

The District will select its financial advisors and its bond counsel by competitive process through a Request for Proposals (RFP). The District's contracting policies, which are in effect at the time, will apply to all contracts with finance professionals. Selection may be based on a best value approach for professional services or the lowest responsive cost effective bid based upon pre-determined criteria.

All financial advisors, bond counsel and underwriters will be selected through a Request for Proposals (RFP) or Request for Qualifications (RFQ) process, whichever is most appropriate given the circumstances. In isolated instances, such contracts may be awarded on a sole source basis if it is clear that a RFP/RFQ process would not be feasible or in the District's interests.

Financial Advisors:

The District may retain one or more financial advisory firms to provide general advice on the District's debt management program, financial condition, budget options, arbitrage rebate review, and rating agency relations. Additionally, a

financial advisor may assist with the structuring of the District's Revenue Bond issuances and may be used on an as-needed basis to provide financial advisory services that do not fall into the other categories of District debt obligations.

Financing Teams:

Financial advisors, bond counsel, and underwriters, where applicable, will be selected through a competitive process. Depending on particular expertise and consultant availability, some firms may be used on more than one program. However, efforts will be made to establish different teams to provide a number of firms the opportunity to participate in District contracts.

Bond Counsel:

The District debt will include a written opinion by legal counsel affirming that the District is authorized to issue the proposed debt, that the District has met all constitutional and statutory requirements necessary for issuance, and a determination of the proposed debt's federal and state income tax status. An appropriately experienced bond counsel firm (or firms) will prepare this approving opinion and other documents relating to the issuance of debt with extensive experience in public finance.

Disclosure Counsel:

The District will hire Disclosure Counsel(s) to prepare official statements in the event of any debt restructuring/refinancing or new bond issue. Disclosure Counsel(s) will be responsible for ensuring that the official statement complies with all applicable rules, regulations and guidelines. Disclosure Counsel(s) will be a well recognized firm(s) with extensive experience in public finance.

Disclosure by Financing Team Members:

The District expects that all of its financial advisory team will at all times provide the District with objective advice and analysis, maintain the confidentiality of the financial plans if required, and be free from any conflicts of interest. All financing team members will be required to provide full and complete disclosure, under penalty of perjury, relative to any and all agreements with other financing team members and outside parties that could compromise any firm's ability to provide independent advice that is solely in the best interests of the District or that could be perceived as a conflict of interest. The extent of disclosure may vary depending on the nature of the transaction.

Note: The aforementioned financial performance measures are established as policy objectives for the District management to strive to achieve in managing the

affairs of the District and may be temporarily suspended, modified or amended upon management review and Board approval.

6. Investment Policy

~~It is the policy of the NCRTD to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state statutes governing the investment of public funds.~~

Delegation of Authority

~~Responsibility for the management of the District's investment portfolio is delegated to the District's Finance Manager by the Executive Director. The District's Finance Manager will establish and maintain written procedures for the operation of the cash management and investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Manager.~~

Prudent Person Rule

~~Investments on behalf of the District will be made in accordance with the "prudent person" rule; i.e. investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.~~

Scope of Policy

~~Unless otherwise noted, this investment policy will apply in its entirety to all monies of the District over which it has direct control as well as those funds that the District is responsible for as custodian and/or trustee.~~

Investment Objectives

~~The District seeks to balance three primary objectives for its cash portfolio:~~

- ~~● Maintaining sufficient liquidity to meet financial obligations;~~
- ~~● Earning a market rate of return (subject to permitted investment constraints);~~
~~and~~
- ~~● Diversifying investments among asset classes to ensure safety of principal.~~

~~The liquidity goal is achieved by matching investment maturities with the expected timing of obligations. Attainment of a market return is measured by benchmarking the portfolio against a relevant market index. Diversification (safety) is accomplished through implementation of a strategic asset allocation, derived from modern portfolio theory concepts.~~

Performance Standards

~~The Districts' objective is to obtain a market average rate of return throughout budgetary and economic cycles that corresponds with invest risk constraints and cash flow needs.~~

~~The Districts investment strategy is passive. Given this strategy, the Finance Manager shall determine whether market yields are being achieved by comparing the average District portfolio yield to the 90 day U.S. Treasury Bill or the treasury security that most closely matches the duration of the portfolio.~~

Ethics and Conflicts of Interest

~~Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and officials who are involved in investing public funds or have the authority to decide how public funds are invested shall disclose to the District Board any material financial interests in financial institutions that conduct business within the Districts jurisdiction, and they shall further disclose the conduct of personal business with, receipt of pecuniary benefit from, or financial interest they have in any entities in which investments are being made.~~

~~1. Permitted Investments (any investment not mentioned herein is prohibited)~~

- ~~i. Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or certificates or receipts established by the United States government or its agencies or instrumentalities representing direct ownership of future interest or principal payments on direction obligations of, or obligations fully guaranteed by, the United States of America or any of its agencies or instrumentalities, the obligations of which are backed by the full faith and credit of the United States.~~
- ~~—Accounts, certificates of deposit and time deposits with banks and savings banks located in the District's service area provided that the collateral securing the investment permitted by this paragraph, are secured by the FDIC.~~
- ~~ii. Bonds or securities of the State of New Mexico or of any agency or political subdivision or school district thereof which has a taxable valuation of real property for the last year of at least one million dollars and has not defaulted~~

~~in the payment of interest or sinking fund obligation or failed to pay any bonds at maturity at any time within five years preceding the date of investment.~~

- ~~ii. The “short term investment fund” described in Section 6-10-10.1 N.M.S. A. 1978 or other similar pooled funds maintained by the State of New Mexico for the investment of public funds of the local public bodies of the state.~~
- ~~ii. Shares of pooled investment funds managed by the state investment officer, as provided in Subsection (G) of Section 6-7-8 NMSA 1978.~~
- ~~ii. Any other investment permitted at the time of the investment by a statute of the State of New Mexico for public entities.~~

- ~~1. Funds available for investment for more than one year, including monies appropriated to permanent and irrevocable trust funds may be invested as provided in Section 6-10-10.G NMSA 1978. The Investment Officer shall conduct a thorough investigation prior to investing in any pool or fund and on a continuing basis once an investment is made. Information gathered will include a written statement of policy and objectives, eligible securities, interest calculation and distribution, securities settlement and safekeeping, handling gains/losses, audit opinions, and fee schedules and statements.~~

~~1. Collateralization~~

~~New Mexico state law require that all certificates of deposit, money market, checking accounts, and any other investments not backed by the full faith and credit of the United States Government, other than investments in the New Mexico State Investment Council long-term investment funds, be secured by pledged collateral of at least 50 percent of the current market value. This collateral will be pledged in the name of the District and held by a third party institution, Federal Reserve Bank, or by a trust institution within the same bank as approved by the Financial Manager. The institution will issue safekeeping receipts to the District for securities held by a third party. The District will require that at all times; pledged collateral will be equal to, or greater than, 50 percent of the current market value of the Districts’ applicable investments.~~

~~1. Selection of appropriate Investments~~

- ~~ii. Individual investments are selected to meet anticipated cash flow requirements and provide adequate liquidity. Within this cash flow perspective, the investment manager will select those securities that will best meet the District’s overall portfolio strategy.~~
- ~~ii. Criteria for selecting investments and the order of priority are:~~

- ~~0. Safety. The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts.~~

The objective is to select only those investments that seek to ensure the preservation of capital in the overall portfolio and to mitigate credit risk and market risk.

0. ~~Liquidity.~~ This refers to the ability to "cash in" at any moment in time with a minimal chance of losing principal or interest. Liquidity is an important investment quality, especially when the need for unexpected funds occurs. The objective is to remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated within one hundred and eighty (180) days.

0. ~~Yield.~~ Yield is the potential dollar earnings an investment can provide, also referred to as the rate of return. The objective is to attain a rate of return that equals or exceeds the yield for the three month treasury bill.

~~1. Diversification~~

The District will diversify its use of investment instruments to eliminate nonsystematic risk. Strategic and tactical asset allocations shall be determined and revised periodically. In establishing asset allocations strategies, the following general policies and constraints shall apply: Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity range. With the exception of U. S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio will be invested in a single sector or with a single financial institution or in a single maturity range. Maturities selected shall provide for stability of income and reasonable liquidity.

0. ~~Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments.~~

0. ~~Interest rate risk shall be controlled through duration management such that overall portfolio duration is set to a target based on existing market interest rates and rate expectations.~~

~~Selection of Brokers/Dealers~~

The Financial Manager shall develop and maintain a list of banks and securities dealers approved for securities transactions initiated by the district, and it shall be the policy of the District to purchase securities only from those authorized firms. To be eligible, a firm must meet at least one of the following criteria:

- ~~1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a Primary Dealer within its holding company structure;~~
- ~~2. Report voluntarily to the Federal Reserve Bank of New York;~~
- ~~3. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule);~~

~~The Finance Manager will select broker/dealers on the basis of their expertise in public investing and their ability to provide service to the District's account. Each authorized broker/dealer shall be required to submit and annually update a District approved Broker/Dealer Information Request form that includes the firm's most recent financial statements.~~

~~Approved broker/dealers shall attest in writing that they have received and read this Policy.~~

Safekeeping and Transaction Settlement

~~The Financial Manager shall approve one or more financial institutions to provide securities safekeeping services for the District. All investment securities purchased by the District will be held in third party safekeeping by the District's safekeeping agent. The District's safekeeping agent will be required to furnish the District a list of holdings on at least a monthly basis. The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. Ownership of all securities shall be perfected in the name of the District. Sufficient evidence to title shall be consistent with modern investment, banking, and commercial practices.~~

Competitive Transactions

~~Securities purchases and sales will be executed after obtaining at least two competitive bids or offerings whenever feasible. If the District is offered a security for which competitive offerings cannot be obtained, quotations for comparable securities will be documented~~

76. Risk Management Policy

The District is to be protected to a prudent extent against liability or loss, which could significantly affect personnel, property, finances or the ability of the District to continue to fulfill its responsibilities as a regional transit entity. This is to be accomplished through the continuous identification, analysis, and control of risk exposures, the determination of the best methods of preventing or limiting losses and the selection of the most economical method of insurance or other means.

Policy

- I. After identification of loss potential and development of loss prevention programs, the mitigation of the financial impact of loss, as it may occur, shall be based on the most economical method of providing funds to meet the obligations of the District and to restore its facilities and/or equipment.
- II. Risk management techniques shall include:
 - a. Assumption of loss
 - b. Use of available government programs
 - c. Purchase of insurance
 - d. Any other program that will provide the District with the most economical method of financing losses
- III. The purchase of insurance shall be considered when:
 - a. The estimate of the cost of potential loss exceeds an amount considered as an allowable retention of risk and there are no other techniques available at a lesser cost
 - b. Services of loss adjustment and loss prevention are best secured through an insured program
 - c. Legal or contractual obligations require insurance

8.7. Periodic Review and Amendment

The Financial Policies delineated herein shall be subject to review and revision by the District at least every three (3) years. This does not preclude the District from revising specific policies included herein nor from adding policies should the District determine that the best interest of the public and/or NCRTD would be served by making such a revision.

Amendments or revision to these financial policies may be initiated or proposed by any member of the District Board or by the Executive Director of the NCRTD.

Proposed amendments or revisions to these Financial Policies shall be first presented to and reviewed by the Board's Finance and Consolidation Subcommittee. The Subcommittee shall make a recommendation on any proposed amendment or revision to the District Board.

The District Board must approve any amendment or revision by majority vote before said amendment or revision shall become official policy of the NCRTD.

| **98. Management Reporting Requirements**

The Executive Director will provide the District Board with an annual report on the Districts actual versus budget performance at the end of the fiscal year once the books have closed.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT	
SUBJECT: Investment Policy	NUMBER: Financial - 06
EFFECTIVE DATE: October 9, 2015	Adopted and amended by Board Resolution No. 2015-~~XX~~
AMENDS/SUPERSEDES: Policies adopted by Board on July 14, 2011, November 4, 2011, March 1, 2013, and November 8, 2013.	APPROVED: ANTHONY J. MORTILLARO, EXECUTIVE DIRECTOR

Purpose

The Investment Policy described herein is designed to provide a comprehensive framework for the management of resources for the North Central Regional Transit District (NCRTD). They provide guidelines for decision making by the NCRTD Board and management on how financial resources shall be utilized to fulfill the mission of the transit system, meet obligations and protect the public interest.

Objectives:

- Cost effective allocation and use of NCRTD financial resources in achieving the Districts mission.
- Compliance with applicable Federal and State laws, regulations and guidelines governing transit funding.
- Use of sound business and accounting practices in managing NCRTD financial affairs.
- Consistent financial practices, operational efficiencies and best practices.

Investment Policy

It is the policy of the NCRTD to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow

demands of the District and conforming to all state statutes governing the investment of public funds.

Delegation of Authority

Responsibility for the management of the District's investment portfolio is delegated to the Districts Finance Director by the Executive Director. The District's Finance Director will establish and maintain written procedures for the operation of the cash management and investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director.

Prudent Person Rule

Investments on behalf of the District will be made in accordance with the "prudent person" rule; i.e. investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Scope of Policy

Unless otherwise noted, this investment policy will apply in its entirety to all monies of the District over which it has direct control as well as those funds that the District is responsible for as custodian and/or trustee.

Investment Objectives

The District seeks to balance three primary objectives for its cash portfolio:

- Maintaining sufficient liquidity to meet financial obligations;
- Earning a market rate of return (subject to permitted investment constraints); and
- Diversifying investments among asset classes to ensure safety of principal.

The liquidity goal is achieved by matching investment maturities with the expected timing of obligations. Attainment of a market return is measured by benchmarking the portfolio against a relevant market index. Diversification (safety) is accomplished through implementation of a strategic asset allocation, derived from modern portfolio theory concepts.

Performance Standards

The Districts' objective is to obtain a market average rate of return throughout budgetary and economic cycles that corresponds with invest risk constraints and cash flow needs.

The Districts investment strategy is passive. Given this strategy, the Finance Director shall determine whether market yields are being achieved by comparing the average District portfolio yield to the 1 year U.S. Treasury Bill or the treasury security that most closely matches the duration of the portfolio.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and officials who are involved in investing public funds or have the authority to decide how public funds are invested shall disclose to the District Board any material financial interests in financial institutions that conduct business within the Districts jurisdiction, and they shall further disclose the conduct of personal business with, receipt of pecuniary benefit from, or financial interest they have in any entities in which investments are being made.

1. Permitted Investments (any investment not mentioned herein is prohibited)

- i. Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by , the United States of America or certificates or receipts established by the United States government or its agencies or instrumentalities representing direct ownership of future interest or principal payments on direction obligations of, or obligations fully guaranteed by, the United States of America or any of its agencies or instrumentalities, the obligations of which are backed by the full faith and credit of the United States.
- ii. Accounts, certificates of deposit and time deposits with banks and savings banks located in the District's service area provided that the collateral securing the investment permitted by this paragraph, are secured by the FDIC and NCUA.
- iii. Bonds or securities of the State of New Mexico or of any agency or political subdivision or school district thereof which has a taxable valuation of real property for the last year of at least one million dollars and has not defaulted in the payment of interest or sinking fund obligation or failed to pay any bonds at maturity at any time within five years preceding the date of investment.
- iv. The "short-term investment fund" described in Section 6-10-10.1 N.M.S. A. 1978 or other similar pooled funds maintained by the State of New Mexico for the investment of public funds of the local public bodies of the state.
- v. Shares of pooled investment funds managed by the state investment officer, as provided in Subsection (G) of Section 6-7-8 NMSA 1978.

- vi. Any other investment permitted at the time of the investment by a statute of the State of New Mexico for public entities.
- 2. Funds available for investment for more than one year, including monies appropriated to permanent and irrevocable trust funds may be invested as provided in Section 6-10-10.G NMSA 1978. The Investment Officer shall conduct a thorough investigation prior to investing in any pool or fund and on a continuing basis once an investment is made. Information gathered will include a written statement of policy and objectives, eligible securities, interest calculation and distribution, securities settlement and safekeeping, handling gains/losses, audit opinions, and fee schedules and statements.

3. Collateralization

New Mexico state law require that all certificates of deposit, money market, checking accounts, and any other investments not backed by the full faith and credit of the United States Government, other than investments in the New Mexico State Investment Council long-term investment funds, be secured by pledged collateral of at least 50 percent of the current market value. The District will require 100% collateralization of funds over \$250,000 by all banks and credit unions. This collateral will be pledged in the name of the District and held by a third party institution, Federal Reserve Bank, or by a trust institution within the same bank as approved by the Finance Director. The institution will issue safekeeping receipts to the District for securities held by a third party. ~~The District will require that at all times; pledged collateral will be equal to, or greater than, 50 percent of the current market value of the Districts' applicable investments.~~

4. Selection of appropriate Investments

- i. Individual investments are selected to meet anticipated cash flow requirements and provide adequate liquidity. Within this cash flow perspective, the investment manager will select those securities that will best meet the District's overall portfolio strategy.
- ii. Criteria for selecting investments and the order of priority are:

1. Safety. The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. The objective is to select only those investments that seek to ensure the preservation of capital in the overall portfolio and to mitigate credit risk and market risk. Interest rate risk shall be controlled through duration management such that overall portfolio duration is set to a target based on existing market interest rates and rate expectations. Credit risk shall be mitigated by limitation on concentration of non-collateralized investments

~~1.~~

2. Liquidity. This refers to the ability to "cash in" at any moment in time with a minimal chance of losing principal or interest. Liquidity is an important investment quality, especially when the need for unexpected funds occurs. The objective is to remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated within one hundred and eighty (180) days. Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments.

~~2.~~

3. Yield. Yield is the potential dollar earnings an investment can provide, also referred to as the rate of return. The objective is to attain a rate of return that equals or exceeds the yield for the 1 year treasury bill.

~~0.~~

6.5.Diversification

The District will diversify its use of investment instruments to eliminate nonsystematic risk. Strategic and tactical asset allocations shall be determined and revised periodically. In establishing asset allocations strategies, the following general policies and constraints shall apply:

Portfolio maturities shall be staggered to avoid undue concentration of assets ~~in on~~ a specific maturity ~~rangedate~~. Maturities selected shall provide for stability of income and reasonable liquidity.

With the exception of U. S. Treasury securities and authorized pools, no more than ~~50~~65% of the total investment portfolio will be invested in a single sector or with a single financial institution or in a single maturity ~~rangedate~~. ~~Maturities selected shall provide for stability of income and reasonable liquidity.~~

~~1. Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments.~~

~~1. Interest rate risk shall be controlled through duration management such that overall portfolio duration is set to a target based on existing market interest rates and rate expectations.~~

~~2.~~

Selection of Brokers/Dealers

The Financial Director shall develop and maintain a list of banks and securities dealers approved for securities transactions initiated by the district, and it shall be the policy of the District to purchase securities only from those authorized firms. To be eligible, a firm must meet at least one of the following criteria:

1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a Primary Dealer within its holding company structure,
2. Report voluntarily to the Federal Reserve Bank of New York,
3. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

The Finance Director will select broker/dealers on the basis of their expertise in public investing and their ability to provide service to the District's account. Each authorized broker/dealer shall be required to submit and annually update a District approved Broker/Dealer Information Request form that includes the firm's most recent financial statements.

Approved broker/dealers shall attest in writing that they have received and read this Policy.

Safekeeping and Transaction Settlement

The Financial Director shall approve one or more financial institutions to provide securities safekeeping services for the District. All investment securities purchased by the District will be held in third-party safekeeping by the District's safekeeping agent. The District's safekeeping agent will be required to furnish the District a list of holdings on at least a monthly basis. The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. Ownership of all securities shall be perfected in the name of the District. Sufficient evidence to title shall be consistent with modern investment, banking, and commercial practices.

Competitive Transactions

Securities purchases and sales will be executed after obtaining at least two competitive bids or offerings whenever feasible. If the District is offered a security for which competitive offerings cannot be obtained, quotations for comparable securities will be documented

Periodic Review and Amendment

The ~~Financial Policies~~Investment Policy delineated herein shall be subject to review and revision by the District at least every three (3) years. This does not preclude the District from revising specific policies included herein nor from adding policies should the District

determine that the best interest of the public and/or NCRTD would be served by making such a revision.

Amendments or revision to these financial policies may be initiated or proposed by any member of the District Board or by the Executive Director of the NCRTD.

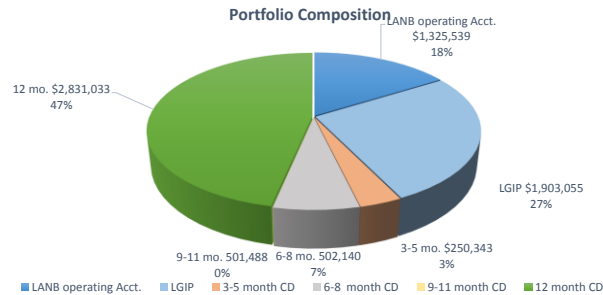
Proposed amendments or revisions to these Financial Policies shall be first presented to and reviewed by the Board's Finance and Consolidation Subcommittee. The Subcommittee shall make a recommendation on any proposed amendment or revision to the District Board.

The District Board must approve any amendment or revision by majority vote before said amendment or revision shall become official policy of the NCRTD.

**North Central Regional Transit District
Certificate of Deposit Report
Report as of 6/30/2015**

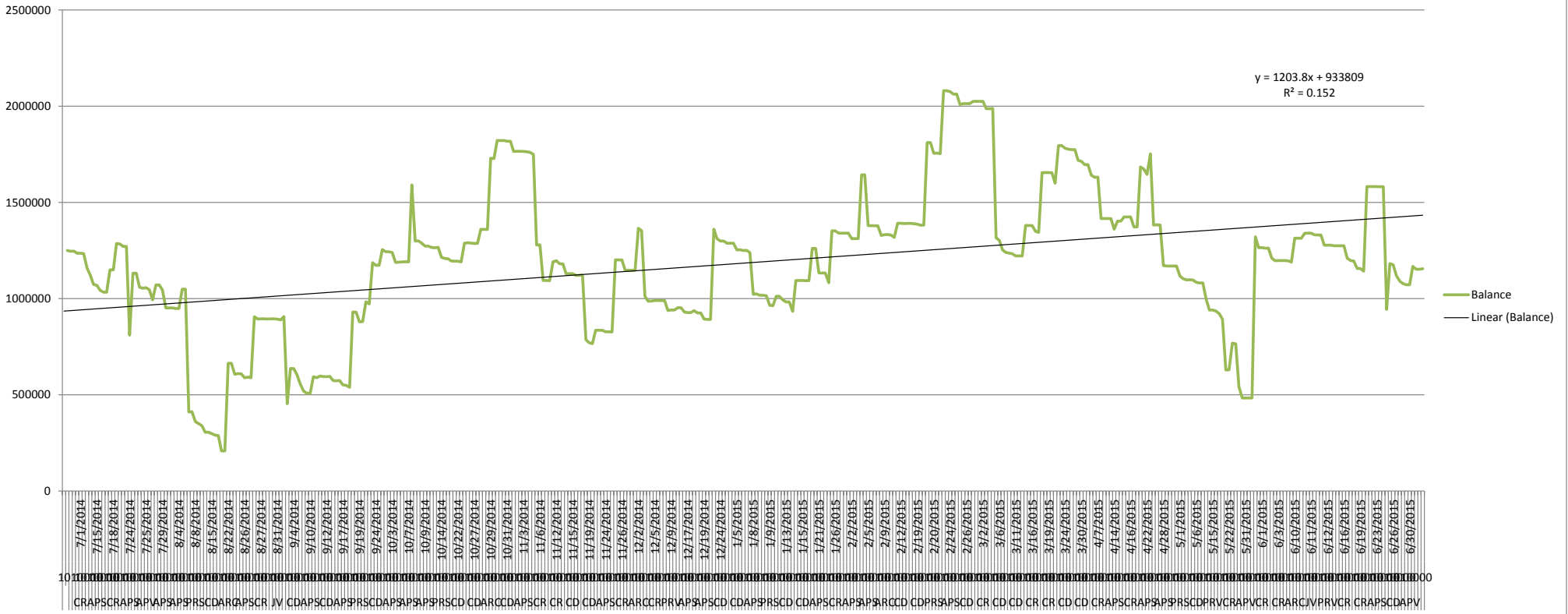
	Date opened	Term/mos	Expiration	Rate	Amount invested	Earnings 7-1-2014 thru 9-30-14	Earnings 10-1-14 thru 12-31-14	Earnings 1-1-15 thru 3-31-15	Earnings 4-1-15 thru 6-30-15	YTD Total Earnings	Investment Balance 6-30-2015	
12 months												
Los Alamos National Bank	7/4/2014	12	7/4/2015	0.40%	250,000.00	109.77	54.66	669.28	252.98	1,086.69	251,086.69	(1)
Los Alamos National Bank	8/3/2014	12	8/3/2015	0.40%	250,000.00	171.32	85.66	584.46	252.98	1,094.42	251,094.42	(1)
Los Alamos National Bank	9/2/2014	12	9/2/2015	0.40%	250,000.00	205.60	102.80	499.48	253.00	1,060.88	251,060.88	(1)
Los Alamos National Bank	10/2/2014	12	10/2/2015	0.40%	250,000.00	380.42	221.63	247.25	252.96	1,102.26	251,102.26	(1)
Los Alamos National Bank	11/1/2014	12	11/1/2015	0.40%	250,000.00	380.42	113.41	331.96	252.97	1,078.76	251,078.76	(1)
Los Alamos National Bank	12/1/2014	12	12/1/2015	0.40%	250,000.00	443.88	204.21	249.96	253.04	1,151.09	251,151.09	(1)
Los Alamos National Bank	12/31/2014	12	12/31/2015	0.40%	250,000.00	443.88	276.33	250.11	250.37	1,220.69	251,220.69	(1)
Los Alamos National Bank	1/30/2015	12	1/30/2016	0.40%	250,000.00	507.36	249.94	313.44	253.22	1,323.96	251,323.96	(1)
Washington Federal Bank	2/27/2015	12	2/27/2016	0.40%	250,000.00	581.50	252.76	247.51	250.52	1,332.29	251,332.29	
State Employees Credit Union	2/28/2015	12	2/28/2016	0.55%	250,000.00	810.74	347.70	340.72	344.86	1,844.02	251,844.02	
Los Alamos National Bank	3/6/2015	12	3/6/2016	0.40%	574,199.00	1,165.30	574.07	726.27	575.27	3,040.91	577,239.91	(1)
	4/1/2015											
	5/1/2015											
Los Alamos National Bank	6/4/2015	12	6/4/2016	0.40%	250,000.00	378.28	249.78	247.27	250.28	1,125.61	251,125.61	
	12 Month/Total		Average rate	0.41%	\$ 3,324,199.00	5,578.47	2,732.95	4,707.71	3,442.45	\$ 16,461.58	\$ 3,340,660.58	
6-8 months												
Guadalupe CU	4/28/2015	7	11/29/2015	0.45%	250,000.00	654.12	197.81	278.43	284.93	1,415.29	251,415.29	
US Eagle FCU	2/20/2015	6	8/21/2015	0.45%	250,000.00	1,002.87	284.86	273.98	282.39	1,844.10	251,844.10	
	6-8 Month/Total		Average rate	0.45%	500,000.00	1,656.99	482.67	552.41	567.32	3,259.39	503,259.39	
3-5 months												
Bank of New Mexico	5/21/2015	3	8/21/2015	0.15%	250,000.00	248.04	94.63	186.27	91.61	620.55	250,620.55	
	3-5 Month/Total		Average rate	0.15%	250,000.00	248.04	94.63	186.27	91.61	620.55	250,620.55	
State of New Mexico office of the Treasurer		LGIP		0.12%	1,901,293.00	1,167.18	594.74	649.85	576.02	2,987.79	1,904,280.79	
			Short term Investment		5,975,492.00	8,650.68	3,904.99	6,096.24	4,677.40	23,329.31	5,998,821.31	
Los Alamos National Bank		Operating Acct.		0.05%	1,154,486.46	142.92	194.37	212.99	142.35	692.63	1,155,179.09	
					\$ 7,129,978.46	\$ 8,793.60	\$ 4,099.36	\$ 6,309.23	\$ 4,819.75	\$ 24,021.94	7,154,000.40	

(1) Converted from 3-9 month's CDs to 12 month's CDs.



	Amount Invested YTD	Earnings	% of portfolio
LANB operating Acct.	1,155,179.09	692.63	16%
LGIP	1,904,280.79	2,987.79	27%
3-5 month CD	250,620.55	620.55	4%
6-8 month CD	503,259.39	3,259.39	7%
9-11 month CD	-	-	0%
12 month CD	3,340,660.58	16,461.58	47%
Total	\$ 7,154,000.40	24,021.94	
Average Rate of Return w/o operating acct. 0.27%			
Current Quarterly Earnings March - June 2015 4,819.75			
Fiscal YTD Earnings 24,021.94			
Fiscal YTD Earnings + Investment \$ 7,154,000.40			

LANB Checking Account Balance per the General Ledger



Current Investment Policy Adherence as of 8.31.2015

	<u>Amount Invested YTD</u>	<u>Earnings</u>	<u>Total YTD</u>	<u>% of portfolio</u>	<u>Operating Acct Expectations</u>	<u>Overall Expectations</u>	<u>Redistribution</u>	
LANB operating Acct.	\$ 1,792,085.98	518.98	\$ 1,759,276.96	23%	12% of budgeted Revenues	40%	\$ 1,423,198.91	\$ (336,078.05)
LGIP	1,901,293.00	2,411.77	1,676,201.32	22%			1,584,956.48	\$ (91,244.84)
3-5 month CD	250,000.00	528.94	0.00	0%			-	\$ -
6-8 month CD	500,000.00	2,692.07	502,692.07	7%		60%	502,692.07	\$ -
12 month CD	3,324,199.00	13,019.13	3,582,218.13	48%			4,009,541.02	\$ 427,322.89
Total	\$ 7,767,577.98	\$ 19,170.89	\$ 7,520,388.48		\$ 11,859,991		\$ 7,520,388.48	
FY2016 Revenue Budget (excluding Use of Fund Balance)								

FY2016 Revenue Budget (excluding Use of Fund Balance)

Finance Subcommittee

Meeting August 28, 2015

9:00 a.m.

Board Members Present: *Councilor Pete Sheehey – Los Alamos County, Commissioner Alex Naranjo - Rio Arriba County and Commissioner Miguel Chavez – Santa Fe County*

Staff Present: *Anthony Mortillaro Executive Director and Troy Bingham – Finance Director*

Guest(s) Present: *Farley Vener – Hinkle and Landers*

Absent: *Leandro Cordova - Taos County,*

Transcribed By: Dalene E. Lucero – Executive Assistant

ROLL CALL

Mr. Mortillaro called the Roll as directed.

APPROVAL OF AGENDA

CALL TO ORDER

A regular Finance Subcommittee meeting was called to order on the above date by Mr. Mortillaro.

ITEMS FOR DISCUSSION/RECOMMENDATION

A. Fiscal Year 2015 Audit Entrance Conference with Hinkle and Landers

Mr. Bingham gave a brief overview on this item and turned it over to Mr. Vener for the presentation.

Mr. Vener proceeded to go over the PowerPoint presentation, in which he gave a brief introduction in regards to the Audit Entrance Conference. He stated that he, Katelyn Constantin, and Ty Deaguero would be working on this years' audit for the District. He went on to state the general objectives of the audit, stating that they wished to provide an overview of the FY15 Audit Process; to establish two-way communication with management and the governing Board of Directors; to define the auditor and management responsibilities under generally accepted auditing standards; to provide an overview of the planned scope and timing of the audit; as well as discuss any questions or changes. Mr. Vener went on to define the auditors responsibilities stating that the auditor is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are fairly, in all material respects, in conformity with generally accepted accounting principles.

Mr. Vener continued stating that the audit is designed to form an opinion about the District's financial statements. He noted that Management is then responsible for providing the financial statements to the auditors and to have internal controls over the financial reporting, which includes the Schedule of Expenditures of Federal Awards (SEFA), as well as to designate individual(s) with the skill set to work with the auditors in evaluating the adequacy and results of the audit. Mr. Vener referred to slide (7) seven of the presentation in which he continued to briefly go over the Management responsibilities. He went on to describe the three (3) components of a New Mexico Audit: (FS) Financial Statement Audit, (A-133) Single Audit where they audit federal awards, and (OSA) the State Auditor Compliance Audit.

Mr. Vener went on to the next slide stating that by state law they are required to look at compliance in regards to the Procurement Code, Per Diem and Mileage Act, Personnel Act and State Personnel Administration, Investment of Public Money, and the Public Employees Retirement Act (PERA), etc.

Mr. Vener continued with the presentation noting the various areas of compliance in which the auditors will be testing for. He went on to mention the GASB standards and regulations that were previously discussed regarding pensions and the unfunded liability of PERA (GASB 68).

Mr. Vener continued to go through the PowerPoint as presented and mentioned that the original due date for the audit to be turned into the state was initially December 15th, which has now been moved up to December 1st. This is due to the State of New Mexico trying to get their CAFR in early, which has not been done before, so this is a way to improve that.

Mr. Vener asked if there were any significant accounting issues that needed to be discussed.

Mr. Bingham asked if Mr. Vener heard anything about GASB 68 and when that information would be released.

Mr. Vener stated that he had an email that was issued that would be coming out to everyone at the end of September.

Further discussion continued on this item.

Mr. Vener asked if there were any other issues. He noted that Mr. Bingham mentioned something about a contribution of a vehicle.

Mr. Bingham stated that the District had a contribution of a Taos vehicle that was well below market when it was given to the District. He noted that the entry was shown to Mr. Vener earlier, which is the District's only noncash contribution.

Mr. Mortillaro stated that the District did receive a vehicle from another entity. However, the District paid a total of \$15,000 for it. Additionally, there has been donation of vehicles from the District to other public entities that have met their useful life. Mr. Mortillaro was unsure if that had to be tracked also.

Mr. Bingham stated that it would be reflected as a disposal, which shows the full value of the vehicle in addition to the depreciation of the vehicle showing as being disposed of.

Mr. Vener agreed with Mr. Bingham. Stating that the vehicles being disposed would fall off of the fixed asset list.

Mr. Mortillaro and Mr. Vener asked if there were any further questions.

There were none.

Mr. Vener indicated that an audit exist conference would either occur in October or November at the latest in order to meet the December 1st deadline.

[This item was for discussion only.]

B. Selection of Finance Subcommittee Chair

Mr. Mortillaro noted that he was temporarily chairing the committee because Mr. Tim Vigil is no longer with the Pueblo of Pojoaque. Therefore, two things will have to occur: 1) A Chair will have to be selected by the Finance Subcommittee members; 2) A Pueblo member will have to be appointed by the Board of Directors at the September Board meeting.

Mr. Mortillaro noted that the Finance Subcommittee consisted of five (5) members, four (4) of which consisted of the County members and one (1) from a Pueblo.

Commissioner Naranjo indicated that he would be unable to do so.

Commissioner Chavez stated that he would be willing to dedicate the time, however he was unsure as to whether or not he possessed the financial expertise that others have. He deferred to Councilor Sheehey, asking if he would be able to Chair the Committee.

Councilor Sheehey stated that he had a full plate as well, but would be willing to do it. He also recommended that there be a Vice Chair that could fill in when he is unable to attend.

Commissioner Chavez stated that he would be more than willing to be the Vice Chair.

Further discussion continued on this item.

Commissioner Chavez made a motion to nominate Councilor Sheehey as Chairman of the Finance Subcommittee. Commissioner Naranjo seconded the motion and it passed by unanimous voice vote (3-0).

Commissioner Naranjo made a motion to nominate Commissioner Chavez as Vice Chairman of the Finance Subcommittee. Councilor Sheehey seconded the motion and it passed by unanimous voice vote (3-0)

C. Discussion and Review of the NCRTD Quarterly Investment Report

Mr. Bingham presented the Quarterly Investment Report for June 30, 2015. He noted that He noted that they were a little behind on the quarterly reports due to his arrival in April.

Mr. Bingham went on stating the District investment is passive. Given this strategy, NCRTD has determined the market yields are being achieved by comparing the average District portfolio yield to the one-year U.S. Treasury Bill. As of June 30, 2015 the one-year treasury rates were .28%, the District is averaging a rate of return at .31%. Total earnings from interest total \$23,329 since the inception of the investment program. Additionally, the highest earned income is .45% with US Eagle FCU (6 month term) earning the district a total of \$1,844 in interest.

Mr. Bingham noted that he promised he would bring changes to the Board sooner rather than later. He mentioned that Mr. Mortillaro suggested it start with the Investment Policy as adopted by the Board, which will be brought back to the next Finance Subcommittee meeting.

Further discussion continued on this item.

Commissioner Naranjo made a motion to recommend the report to the Board of Directors. Commissioner Chavez seconded the motion and it passed by unanimous voice vote (3-0).

D. Discussion and Review of the Revised Inventory/Capital Asset Policy

Mr. Bingham stated that Finance upon starting the year end procedures for closing the financial statements noticed minor inconsistency with prior accounting entries and the policy that guided those actions. Also, implementation of new Governmental Accounting Standards in the past 10 years have clarified the approach of governments on the treatment of intangible assets that would conflict with the existing policy. Proposed minor changes to the current policy would provide guidance for FY2015 yearend procedures and future review of the complete policy would be recommended by staff when time permits.

Mr. Bingham went on to mention that he wanted to acknowledge the capitalized cost of a capital asset, which should include all taxes, fees, permit cost, shipping, and installation. Donated assets, such as buses will be recognized at Fair Market Value at time of acquisition.

Mr. Bingham referenced pages twenty-two (22) and twenty-three (23) of the policy, stating that the term “fixed assets” has not been used in a long time. Therefore the term would be replaced with “capital assets” in accordance with GASB. “Capital Asset” means any property or equipment that has an initial value to NCRTD, whether in cash or trade value, of more than five thousand dollars (\$5,000).

Mr. Bingham continued stating that Assets (quantities of one that exceed \$5,000) are reflected in the official financial statements of the District. Every effort will be made to recognize assets individually to reflect accurate useful lives and depreciation. He also wanted to recognize major repairs and replacements, stating that they will not be

recognized as capital assets unless removal of asset value is possible and reflects a significant increase in the useful life of the resulting asset from the initial asset effected.

Mr. Bingham stated that the biggest item that needed to be changes were intangible assets such as software purchases. In accordance with Governmental Accounting Standards Board Statement 51 (GASB 51), the District will recognize intangible assets as clarified. Computer software is considered an intangible asset since it represents competitive advantages developed or acquired by an organization. This includes the new AVAIL system that was purchased.

Commissioner Chavez asked Mr. Bingham to clarify the difference between intangible and tangible assets.

Mr. Bingham noted that intangible assets are items like easements or software, tangible assets are something that can be physically touched or removed.

Commissioner Chavez asked for a clear definition of “intangible” assets to be included in the presentation to the Board.

Mr. Bingham and the members of the Subcommittee agreed.

Commissioner Chavez made a motion to recommend the report Inventory/Capital Asset Policy to the Board of Directors for approval. Commissioner Naranjo seconded the motion and it passed by unanimous voice vote (3-0).

E. Discussion and Review of the Proposed Changes to the Procurement Card Policy

Mr. Bingham referenced page twenty-nine (29) of the packet. The Procurement Card Policy was adopted in December of 2011 to encourage the use of Purchase Cards to simplify the District’s small purchase procedures. The Purchase Cards are through Bank of America and are not associated with the District’s checking account. However, a balance cannot be carried forward, in which it is paid off every month. Mr. Bingham noted that in the past only Finance and Operations held a Purchase Card, however, now Procurement Cards will be issued to each Department Manager, with the exception of one supervisor in Taos.

The procurement card should not be used at vendors that have standing purchase orders but should be used for one-time purchases generally under \$1,000. Authorization for purchase of tangible assets over \$200 will still need “informal” Executive Director Approval by email prior to purchase and should include the District’s purchasing agent on approval seeking emails as confirmation of such approval. Lack of timely response from the Executive Director is not justification of approval.

Councilor Sheehey asked if it was a debit card.

Mr. Bingham stated that it was like a credit card, but could not carry a balance which had to be paid off after thirty (30) days.

Commissioner Naranjo asked what the card would be used for.

Mr. Bingham stated that he also wanted to open the card up for use when on travel. Initially the cards had a lot of restrictions for travel, which created a lot of excess paperwork for Finance. It will allow employees to pay for items such as airline tickets, hotel rooms, etc. Mr. Bingham went on to state that it would be used to purchase small things around the community, such as at Walmart or smaller stores.

Mr. Bingham noted that the cards would be reconciled and accounted for on a monthly basis.

Commissioner Chavez asked if there were clear policy and guidelines as to how the cards would be authorized.

Mr. Bingham stated that only management has the cards with the exception of one supervisor. That's why there is language in there providing as such.

Commissioner Chavez asked how many employees would be issued a card.

Mr. Bingham stated that there were currently seven (7).

Mr. Bingham went on to ask if there were any recommendations or suggestions when the item is presented to the Board.

Councilor Sheehey asked Mr. Bingham to give a general explanation of the parameters, when the cards are used and what they are for.

Further discussion continued on this item.

Commissioner Naranjo made a motion to recommend the Purchase Card Policy to the Board of Directors for approval. Commissioner Chavez seconded the motion and it passed by unanimous voice vote (3-0).

F. Discussion and Review of a Budget Amendment to Increase/Adjust the FY2016 Budget from the 5311 Federal Funding for Taos, Cash Reserves and State Capital Outlay Funds Attachment.

Mr. Mortillaro mentioned that a revision occurred to the document that was originally produced, by which he handed out a copy of the new document to Subcommittee members and noted that a copy would be emailed to Commissioner Chavez.

Mr. Bingham went over the items in sequence with the report that was presented.

A request to amend the FY2016 budget and incorporate additional revenues of \$40,836 from the 5311 federal funding related to the Town of Taos unspent in FY2015. The Town of Taos received \$350,269 for 5311 federal transit in FY2015 and only spent \$221,866 by June 30, 2015. NCRTD projected that the town would spend \$262,702, so only budgeted \$87,567 for the first 3 months of FY2016. Since the town only spent \$221,866 by June 30, 2015 there is an additional \$40,836 available for NCRTD over the next 3 months (if NMDOT) approves the budget adjustment.

Mr. Mortillaro stated that \$25,580 of those funds would be used for the acquisition of the Taos Chile Line Facility. This will include the survey, increased legal fees associated with the property acquisition, as well as the Environmental Phase I and II.

Mr. Bingham noted that the survey and increased legal fees are estimates, whereas the Environmental Phase I/II are actual costs. He then went on to mention that the Verizon mobile connections to the Taos Chile Line buses were more expensive than anticipated at a total of \$15,580. Overall, the District is anticipating a cost of \$40,836 which is all federal monies, by which the net effect to the District is zero (0).

Councilor Sheehey, noted that the \$15,580 to Verizon seemed rather expensive and that Atomic City Transit was not paying anything like that for their buses.

Mr. Mortillaro stated that the ITS contracts that the District and ATC entered into when the systems were acquired. When the system was purchased, the bidders proposed absorbing those costs for five (5) years; that is included in the five-year maintenance cost. What the Chile Line has is live view cameras, they don't have the MDTs yet. Live view cameras allow for live "look-ins" at any time. In order to accomplish that a cellular connection is required; this costs a total of \$50, per bus, per month.

Further discussion continued on this item.

Mr. Bingham moved onto the next item and gave a brief overview on this item. He stated that a request to amend the FY2016 capital budget to reflect the state's capital outlay bill that was passed June 17, 2015. The state's capital outlay bill provided \$117,000 in local matching funds for bus acquisitions in FY2016. The District's final budget reflected fund balance as the source of local matching funds due to the late timing of the bill in the State budget process. At this time, staff is recommending that the \$117,000 in fund balance remain in the capital budget for unforeseen capital needs in FY2016. This includes Expansion of Silky Way Driveway Access, Furniture and Fixtures Associated with New Office Space/Remodel, Maintenance Vehicle/Plow for Taos Operations Facility, as well as a 2015 Demo Transit Van for On Demand Service.

There were no questions on this item.

Mr. Bingham continued, stating that In FY2015 the Pueblo of Santa Clara had \$210,303 in excess budget and the Pueblo de San Ildefonso had \$6,905 in excess budget. In the FY2016 Budget this carry forward was estimated at \$35,809, so additional authorization is needed to fully utilize the grants in FY2016. These funds are 100% reimbursable so staff is request that those excess budgets carry forward into FY2016 and appropriated toward administrative and capital costs for these 2 specific service routes.

Mr. Bingham proceeded with the report stating that Capital Bus Funding was required to be carried forward for (7) Buses ordered in FY2015, however they will be received in FY2016. He described the amounts in further detail as presented.

Mr. Bingham went on to mention that the District received a federal grant through NMDOT specifically for the initial install of the AVAIL system. However, there is a remaining balance of \$354,433.89.

Mr. Mortillaro noted that the reason the funds weren't expended when the grant was received, was because there was a required 50/50 match. The District was able to find money through the Veterans Initiative program that provided the District with an 80/20 match; it made more sense to spend more of the federal money and less of the District money and hold this back for some future need. A portion was expended after the 80/20 monies was expended.

Mr. Bingham noted that the grant was initially about \$450,000 by which the District has spent a total of \$92,000 to date because of that high match rate. The grant is currently still at a 50/50 match rate, however Mr. Mortillaro is currently working with NMDOT to change that allocation. Mr. Bingham stated with that in mind the District will need to budget this, noting that \$177,000 would be federal monies and \$177,000 of the District's Fund Balance. If Mr. Mortillaro is able to accomplish an 80/20 match, the allocation will go down from approximately \$100,000.

Further discussion continued on this item.

Mr. Bingham stated that there would be two resolutions moving forward to the Board on this item, one to approve the budget amendment and one to approve the use of fund balance.

Commissioner Chavez made a motion to recommend to the Board of Directors a final budget amendment to increase NCRTD's budget for all five (5) projects by \$1,447,570.89. Commissioner Naranjo seconded the motion and it passed by unanimous voice vote (3-0).

G. Minutes from July 24, 2015

Councilor Sheehey asked the minutes be amended on the first page to reflect the LGIP rate be changed to .12%.

Commissioner Naranjo made a motion to approve the minutes from July 24, 2015. Councilor Sheehey seconded the motion and it passed by unanimous voice vote (3-0).

MATTERS FROM THE SUBCOMMITTEE

ADJOURN

Commissioner Naranjo made a motion to adjourn the meeting. Commissioner Chavez seconded the motion and it passed by unanimous voice vote (3-0).

The next Finance Subcommittee meeting will be held on September 25, 2015 at 9:00 a.m.